31 October 2005

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

We welcome the opportunity to comment on the draft proposals.

However, we note that there are within these proposals some fundamental issues of principle which have not been sufficiently well debated to warrant inclusion as established principles in exposure drafts. Many of the proposals are highly contentious and as they will establish precedent for the direction of similar items within other standards they require considerable conceptual research for which more time is required. It is also disappointing that these proposals do not appear to be in response to investor requirements for greater transparency or matters where current guidance is missing or unclear but instead respond to a conceptual view of the world. It is further disappointing that the Board does not seem to appreciate the necessity for a period of stability following initial implementation of IFRS. We also note that although convergence is cited as a core objective the proposed changes to IAS 37 would open up another reconciling item with US GAAP in a material area.

Our main concerns are as follows:

IFRS 3 'Business Combinations'

- We believe that the exclusion of acquisition costs from the purchase price of the acquired interest is inconsistent with the elements of cost described in other standards. This is a conceptual issue that has far reaching consequences for other standards. It should form part of a discussion paper addressing all the issues surrounding the definition of fair value.

- The adoption of an economic entity approach to consolidation resulting in the recognition of non-controlling interest goodwill and thereby necessitating the ascertainment of the fair value of the acquiree for less than 100 per cent acquisitions does not in our view increase the usefulness of financial statements. Shareholders are interested in the return generated from invested capital and that does not include goodwill attributable to a non-controlling interest. It would be helpful if the Board could identify the source of demand
for this change in accounting policy. There are concerns among users of financial statements that the information currently provided is too complex. This proposal would only serve to increase that complexity. We believe the parent entity approach is superior because it provides a reliable measurement of goodwill, being the amount paid as part of the purchase consideration for the interest acquired.

IAS 27 ‘Consolidated and Separate Financial Statements’

- The proposal that a change in stake that does not result in loss of control requiring the gain/loss on disposal to be recognized in equity does not align with the parent entity approach to consolidation. We believe the gains/losses arising from third party transactions should be recognised in the income statement. This is consistent with the parent entity approach to consolidation.

- Where there has been a disposal of a shareholding that takes the remaining holding to a non-controlling interest, we consider that to recognise gain or loss in the income statement on fair valuing that residual minority stake is illogical. We believe that when no transaction in relation to the remaining holding has taken place, it is appropriate to continue to record the carrying value of this holding at unadjusted proportionate cost rather than a revalued amount consistent with a policy of historical cost for an associate holding. In the event that the remaining holding is an available-for-sale investment it will be marked to market through equity. To record a gain through income is the treatment for trading not investment securities.

IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’

We agree with the proposed changes regarding restructuring provisions which will improve consistency in measurement of like items within and outside a broad restructuring activity.

We do not support the proposed changes on ‘non-financial’ liabilities, hitherto known as contingent liabilities. The overriding concern is that of moving the probability test from recognition to measurement. This will potentially trigger recognition of liabilities that cannot, in our view, be measured reliably and will therefore lead to the inclusion of liabilities in the financial statements at misleading values. An ‘expected value’ approach to liability measurement has considerable relevance to a portfolio of like risks but is inappropriate for single events. Neither is a market fair value approach relevant for such non-financial liabilities as there is almost always no market and any third party would require both a significant risk premium and an impractical amount of disclosure to be able to make a judgment or measurement. The proposed standard would also prevent inclusion within liabilities of expected transfer of economic resources which investors have come to expect to be provided, further eroding current understanding of accounts with little benefit. Such a fundamental change should be debated as part of the IASB’s framework project. Furthermore, the proposed standard would create yet another US GAAP reconciliation amount.

As a general point, the implementation of these proposals will be at a significant cost to businesses, especially banks and other financial institutions who are also affected by the Basel 2 proposals. The cost of these additional proposals would appear to provide little additional benefit to the users of the financial statements.
These main concerns together with others are addressed in the attached document which provides answers to the questions posed in the exposure drafts.

In the event that there are to be roundtable discussions following the analysis of the responses to the proposals, we would welcome the opportunity to participate. As a large global organisation, we have considerable practical experience in the areas that would be affected by the proposals.

Please do not hesitate to get in touch if you would like to discuss any of the issues that we have raised.

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ED OF PROPOSED AMENDMENTS TO IFRS 3 BUSINESS COMBINATIONS

Question 1—Objective, definition and scope

Are the objective and the definition of a business combination appropriate for accounting for all business combinations? If not, for which business combinations are they not appropriate, why would you make an exception, and what alternative do you suggest?

We do not believe that the definition and objective are appropriate for all business combinations. The change to the definition of a business combination would seem to exclude mergers and group reconstructions from the scope of IFRS 3. Whilst group reconstructions are not currently within the scope of IFRS 3, presumably the Board intends to include them at some stage. In addition we consider that a change to the definition is unnecessary, as the purchase method already requires the identification of an acquirer.

Question 2—Definition of a business

Are the definition of a business and the additional guidance appropriate and sufficient for determining whether the assets acquired and the liabilities assumed constitute a business? If not, how would you propose to modify or clarify the definition or additional guidance?

We agree with this proposal for a broader definition of a business. The principle of capability is consistent with that used in IAS 38. The definition of an intangible asset, set out in paragraph 12(a), includes the notion of the asset being capable of separation.

Questions 3-7—Measuring the fair value of the acquiree

Question 3 –

In a business combination in which the acquiree holds less than 100 per cent of the equity interests of the acquiree at the acquisition date, is it appropriate to recognise 100 per cent of the acquisition-date fair value of the acquiree, including 100 per cent of the values of identifiable assets acquired, liabilities assumed and goodwill, which would include the goodwill attributable to the non-controlling interest? If not, what alternative do you propose and why?

We do not consider it appropriate to account for goodwill attributable to non-controlling interests. In addition any impairment losses will be recognised in the income statement thus negatively affecting post tax profits and would therefore adversely impact a number of key ratios in a way which we believe would serve no useful purpose to the users of the financial statements.

We concur with the alternative views set out in the Proposed Amendments to IFRS 3 AV2 – AV7. In particular we believe that the ‘parent only’ approach best reflects the substance of the effects of a business combination which results in a non-controlling interest.

We also believe that businesses would incur considerable costs in respect of the valuation of this asset as they would need to employ the services of professional
valuers. These costs would be of no benefit either to the acquirers in terms of how they run the business or to analysts who use the accounts.

**Question 4**

*Do paragraphs A8-A26 in conjunction with Appendix E provide sufficient guidance for measuring the fair value of an acquiree? If not, what additional guidance is needed?*

We believe that there is insufficient guidance on measuring the fair value of the acquiree as a whole where less than 100 per cent has been acquired.

Paragraph 3(i) of the exposure draft is based on the definition in the FASB's Proposed Statement *Fair Value Measurements* and we are concerned that until this statement is finalised the definition may be subject to change yet again given the focus on convergence. Any change to the definition of fair value should be separately exposed because of its use in several IFRSs.

**Question 5**

*Is the acquisition-date fair value of the consideration transferred in exchange for the acquirer's interest in the acquiree the best evidence of the fair value of that interest? If not, which forms of consideration should be measured on a date other than the acquisition date, when should they be measured, and why?*

We agree that the fair value of the consideration exchanged is the best evidence of the fair value of the parent's interest in the acquired business except where there is an overpayment (see response to Question 12).

**Question 6**

*Is the accounting for contingent consideration after the acquisition date appropriate? If not, what alternative do you propose and why?*

We do not agree with this proposal and believe that the current treatment of contingent consideration is most appropriate. The difference in accounting treatment for contingent consideration classified as debt as opposed to equity leads to inconsistency and appears to penalise acquirers who do not use equity.

**Question 7**

*Do you agree that the costs that the acquirer incurs in connection with a business combination are not assets and should be excluded from the measurement of the consideration transferred for the acquiree? If not, why?*

We do not agree with this proposed amendment. The Board noted that acquisition costs should be excluded because they are not assets. However, we believe this is not consistent with the approach in IAS 16 paragraph 16 which refers to costs of bringing the asset to its present condition and location. Furthermore IASs 23 and 39 refer to capitalisation of interest and directly attributable transaction costs respectively. Clearly, costs incurred by the acquirer in connection with the acquisition should form part of the cost.
Questions 8 and 9—Measuring and recognising the assets acquired and the liabilities assumed

**Question 8**

Do you believe that these proposed changes to the accounting for business combinations are appropriate? If not, which changes do you believe are inappropriate, why, and what alternatives do you propose?

We agree with the proposed changes but it would be useful to clarify in the standard that the ability to recognise an asset on acquisition requires the ability to measure the fair value reliably even though this is stated in the Framework.

**Question 9**

Do you believe that these exceptions to the fair value measurement principle are appropriate? Are there any exceptions you would eliminate or add? If so, which ones and why?

We agree that the exceptions to the fair value measurement principle in respect of Assets held for sale, Deferred taxes, Operating leases and Employee benefit plans are appropriate given that these are dealt with in IFRS 5, IAS 12, IAS 17 and IAS19 respectively.

**Questions 10-12—Additional guidance for applying the acquisition method to particular types of business combinations**

**Question 10**

Is it appropriate for the acquirer to recognise in profit or loss any gain or loss on previously acquired non-controlling equity investments on the date it obtains control of the acquiree? If not, what alternative do you propose and why?

We do not believe it is appropriate to recognise any gains or losses arising from a stepped acquisition. The “gain or loss” calculated should be reported in the acquirer’s financial statements going forward as the benefit of the acquired business is retained within the reporting entity.

**Question 11**

Do you agree with the proposed accounting for business combinations in which the consideration transferred for the acquirer’s interest in the acquiree is less than the fair value of that interest? If not, what alternative do you propose and why?

We do not agree with the proposed accounting treatment for business combinations in which the consideration transferred for the acquirer’s interest in the acquiree is less than the fair value of that interest (“negative goodwill”).

The revised calculation for goodwill appears unnecessarily complex as it produces the same numbers as the current approach i.e. by comparing the fair value of consideration transferred with the fair value of the net assets acquired.

The new approach is also conceptually inconsistent. Since the Board is not opting to use a complete fair value method for recognising goodwill in a business combination
it is inconsistent to use the fair value of the acquiree as a whole in the calculation of goodwill and gains in bargain purchases.

Non-controlling interest goodwill is not relevant from a group perspective and is not useful to the users of a group's financial statements.

**Question 12—**

*Do you believe that there are circumstances in which the amount of an overpayment could be measured reliably at the acquisition date? If so, in what circumstances?*

We believe there are circumstances that could lead to an overpayment. However, in most cases it would be difficult to separate the overpayment component from the goodwill.

**Question 13—Measurement period**

*Do you agree that comparative information for prior periods presented in financial statements should be adjusted for the effects of measurement period adjustments? If not, what alternative do you propose and why?*

We agree with this proposal as it shows more accurately the impact of the business combination in the period to which it relates. However, a hindsight period of 12 months from the end of the full financial year in which the acquisition is completed is a more reasonable timeframe in which to collate all information relating to a business combination. We believe that 12 months from the acquisition date is not long enough in light of our experience and the complexity of applying IFRS.

**Question 14—Assessing what is part of the exchange for the acquiree**

*Do you believe that the guidance provided is sufficient for making the assessment of whether any portion of the transaction price or any assets acquired and liabilities assumed or incurred are not part of the exchange for the acquiree? If not, what other guidance is needed?*

We believe that the guidance provided in paragraph 70 and BC156 is sufficient to determine what does not constitute part of an exchange for the acquiree.

**Question 15—Disclosures**

*Do you agree with the disclosure objectives and the minimum disclosure requirements? If not, how would you propose amending the objectives or what disclosure requirements would you propose adding or deleting, and why?*

We agree with the disclosure objectives and the minimum disclosure requirements.

**Questions 16-18—The IASB's and the FASB's convergence decisions**

**Question 16—**

*Do you believe that an intangible asset that is identifiable can always be measured with sufficient reliability to be recognised separately from goodwill? If not, why? Do you have any examples of an intangible asset that arises from legal or contractual rights and has both of the following characteristics:
(a) the intangible asset cannot be sold, transferred, licensed, rented, or exchanged individually or in combination with a related contract, asset, or liability; and
(b) cash flows that the intangible asset generates are inextricably linked with the cash flows that the business generates as a whole?

We do not believe that an intangible asset that is identifiable can always be measured with sufficient reliability to be recognised separately from goodwill. For example a non-transferrable licence such as the one needed to trade in the refund anticipation loans scheme in the US.

**Question 17—**

Do you agree that any changes in an acquirer’s deferred tax benefits that become recognisable because of the business combination are not part of the fair value of the acquiree and should be accounted for separately from the business combination? If not, why?

We agree that any changes in an acquirer’s deferred tax benefits that become recognisable because of the business combination are not part of the fair value of the acquiree.

**Question 18—**

Do you believe it is appropriate for the IASB and the FASB to retain those disclosure differences? If not, which of the differences should be eliminated, if any, and how should this be achieved?

We believe that full convergence between the IASB and the FASB is not feasible and therefore consider that it is appropriate for disclosure differences to remain.

**Question 19—Style of the Exposure Draft**

Do you find the bold type-plain type style of the Exposure Draft helpful? If not, why? Are there any paragraphs you believe should be in bold type, but are in plain type, or vice versa?

We find the bold type-plain type style useful. Paragraphs currently in bold type highlight the key principles but without putting the standard into use, it is not possible to state definitively that they represent the conclusive list.
ED OF PROPOSED AMENDMENTS TO IAS 27
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Question 1

Draft paragraph 30A proposes that changes in the parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes would be recognised in profit or loss (see paragraph BC4 of the Basis for Conclusions).
Do you agree? If not, why not and what alternative would you propose?

We do not agree with the proposal outlined in paragraph 30A and believe that the current practice of taking changes to the income statement best represents the effect of the transaction because there has been a gain/loss as a result of a transaction with a third party.

Transactions with parties holding non-controlling interests should be treated in a consistent manner with other third parties i.e. the effects of such transactions should be recognised in profit or loss.

Question 2

Do you agree that the remaining non-controlling equity investment should be remeasured to fair value in these circumstances? If not, why not and what alternative would you propose?

Do you agree with the proposal to include any gain or loss resulting from such remeasurement in the calculation of the gain or loss arising on loss of control? If not, why not, and what alternative would you propose?

Although we agree that the remaining non-controlling equity investment should be remeasured to its fair value at the date control is lost, we do not agree that any gains or losses arising from this process should be included in the total gain or loss arising on disposal. Rather we believe that they should be shown directly in the income statement on a separate basis. The fair value for the remaining interest is not a relevant factor in determining the impact of the disposal to the parent on the date that control was lost however it may be relevant to reflect more accurately the parent interest going forward. For example, if the remaining non-controlling interest is that of an associate, the fair value at the date of disposal of the controlling interest could be regarded as the date on which the associate was acquired. However, we incline to the view that the proportionate original cost better reflects a policy of recording associates at cost in accordance with IAS 28 'Investments in Associates' paragraph 11.

Question 3

Do you agree that it is appropriate to presume that multiple arrangements that result in a loss of control should be accounted for as a single arrangement when the indicators in paragraph 30F are present? Are the proposed factors suitable indicators? If not, what alternative indicators would you propose?

We agree with the presumption that multiple transactions can be treated as a single arrangement if they have any of the indicators described in paragraph 30F in order to
avoid abuse of the different accounting treatments outlined in paragraphs 30A and 30C.

**Question 4**

*Do you agree with the proposed loss allocation? Do you agree that any guarantees or other support arrangements from the controlling and non-controlling interests should be accounted for separately? If not, why not, and what alternative treatment would you propose?*

We do not agree with the proposed loss allocation, since we consider that the ‘parent entity’ method is the correct approach to consolidation, the allocation of loss to the majority interest better accords with this principle (see IFRS 3 Question 3). As a result we consider that losses should be written off against the consolidated reserves. Arrangements for support should not be accounted for separately because they represent a fundamental part of the relationship between parent and non-controlling interest (i.e. a fundamental part of the sharing of risks and rewards) and so should be reflected in the allocation of losses.

**Question 5**

*Do you agree that proposed paragraphs 30A, 30C and 30D should apply on a prospective basis in the cases set out in paragraph 43B? Do you believe that retrospective application is inappropriate for any other proposals addressed by the Exposure Draft? If so, what other proposals do you believe should be applied prospectively and why?*

We believe that all of the proposed amendments should be applied prospectively because it may not be possible to obtain the relevant comparative data, in particular fair value information. In addition, we consider that when multiple changes are made each year to accounting for business combinations this will result in information that is not easily comparable.
ED OF PROPOSED AMENDMENTS TO IAS 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Question 1 - Scope of IAS 37 and terminology

(a) Do you agree that IAS 37 should be applied in accounting for all non-financial liabilities that are not within the scope of other Standards? If not, for which type of liabilities do you regard its requirements as inappropriate and why?

We agree that IAS 37 should be applied to all liabilities other than those covered by other Standards. However, we believe that the term “non-financial liabilities” is not sufficiently well understood to be the title of an accounting standard. Rather the title should be simpler and we suggest “Recognition of liabilities”. The Scope paragraph could then list those outside its scope.

(b) Do you agree with not using ‘provision’ as a defined term? If not, why not?

We agree with not using the term “provision” since confusion has arisen regarding its meaning in the context of financial statements.

Question 2 - Contingent liabilities

(a) Do you agree with eliminating the term ‘contingent liability’? If not, why not?

We do not agree with the elimination of the term ‘contingent liability’. In our view, it adequately describes a possible future liability that does not satisfy the criteria for recognition in financial statements at a particular reporting date.

(b) Do you agree that when the amount that will be required to settle a liability (unconditional obligation) is contingent on the occurrence or non-occurrence of one or more uncertain future events, the liability should be recognised independently of the probability that the uncertain future event(s) will occur (or fail to occur)? If not, why not?

We do not agree with the proposed approach in paragraphs 22 to 24 of the revised standard that requires uncertainty regarding future events to be reflected in the measurement of the liability. The unconditional and conditional approach is confusing. Furthermore, this approach is not that contained in the IASB framework which clearly includes the probability criterion as part of the recognition process in relation to liabilities. The proposed change would view probability as a measurement issue. This departure should be debated as part of the IASB’s Framework project rather than be the subject of a proposal for a revised standard. A clearer principle is required together with the determination of what is the obligating event in the circumstances described in paragraphs 25 and 26 which address issues raised by product warranties.

Question 3 - Contingent assets

(a) Do you agree with eliminating the term ‘contingent asset’? If not, why not?

We agree that recognition of assets should be outside the scope of the revised standard, since it is proposed that it should cover only non-financial liabilities.
Recognition and measurement of assets should be determined in accordance with the IASB Framework. Classification of an asset as an intangible should, therefore, be made in accordance with the requirements of IAS 38 “Intangible Assets”.

(b) Do you agree that items previously described as contingent assets that satisfy the definition of an asset should be within the scope of IAS 38? If not, why not?

Whether or not such assets should be within the scope of IAS 38 depends on their nature. For example, amounts receivable on settlement of an insurance claim relating to the loss of a physical asset would be classified as a financial instrument under IAS 39 “Financial Instruments: Recognition and Measurement”.

Question 4 – Constructive obligations

(a) Do you agree with the proposed amendment to the definition of a constructive obligation? If not, why not? How would you define one and why?

We are unclear as to the helpfulness of the addition of the words “they can reasonably rely on” in raising the threshold for determining the existence of a constructive obligation.

Additional guidance should be provided in the body of the Standard along the lines of that explained in BC 60. If the board believes a liability should only be recognised where the entity has no realistic discretion to avoid settlement, this should be stated in the Standard.

(b) Is the additional guidance for determining whether an entity has incurred a constructive obligation appropriate and helpful? If not, why not? Is it sufficient? If not, what other guidance should be provided?

The guidance is helpful only in the context of the definition in paragraph 10 (see (a) above).

Question 5 – Probability recognition criterion

Do you agree with the analysis of the probability recognition criterion and, therefore, with the reasons for omitting it from the Standard? If not, how would you apply the probability recognition criterion to examples such as product warranties, written options and other unconditional obligations that incorporate conditional obligations?

It is difficult to envisage how the proposals as currently drafted would operate in practice other than to trigger the recognition of liabilities that would not fall to be recognised under IAS 37 and the IASB Framework. This would in turn create measurement issues that do not need to be addressed in current practice in this area. In our view, the resulting estimated fair values would not be sufficiently reliable to warrant recognition in company balance sheets. The expected cash flow approach endorsed by the Board in BC82 would lead to the recognition of variable estimates whose recognition in financial statements would not be useful as a basis for making economic decisions. The often cited court case example illustrates this in that a claim of LCY 10m against the reporting entity, considered to have a 10 per cent chance of success would trigger recognition of LCY 1m, an amount that represents neither the outcome of success or failure.

A further potential issue arises for banks in relation to commitments to lend. These are mostly off-balance sheet in accordance with IAS 39 “Financial Instruments:
Recognition and Measurement but the probability measurement requirement proposed in the exposure draft could trigger recognition of an estimate of credit default for these depending on the view taken of what constitutes the past event for the purposes of satisfying the definition of a liability (Framework paragraph 48(b)) i.e. is it the commitment to lend or the drawdown of the loan by the borrower. This is an important issue for banks as the industry does not have comprehensive historical data on which to move to a probability default (PD) basis; even when Basel 2 is implemented, this will not mean that the banking industry generally will have, or be required to have by its regulators, this information. We believe that there has been no comprehensive cost benefit consideration given to this requirement. As stated in our answer to Question 2, we believe that any revision to recognition and measurement principles already published in the IASB Framework should be addressed as part of that project and not through amendments to accounting standards.

Question 6 – Measurement

Do you agree with the proposed amendments to the measurement requirements? If not, why not? What measurement would you propose and why?

We are unclear as to why it was considered necessary to add “rationally” to best estimate together with the reference to transfer to a third party. “Best estimate” is clearly understood by preparers and the transfer of liabilities is not a transaction that routinely takes place between entities. In the event that there is a growing trend in this type of transaction, the implications for accounting would require further discussion prior to the decision to incorporate a value arising from this into financial statements. The question of intent would need to be thoroughly explored as application of this measurement basis could give rise to lower values for liabilities being recognised in the balance sheet. BC 79 fails to provide adequate reasoning for the proposed amendments.

Question 7 – Reimbursements

Do you agree with the proposed amendment to the recognition requirements for reimbursements? If not, why not? What recognition requirements would you propose and why?

We agree with the reimbursement proposals.

Question 8 – Onerous contracts

(a) Do you agree with the proposed amendment that a liability for a contract that becomes onerous as a result of the entity’s own actions should be recognised only when the entity has taken that action? If not, when should it be recognised and why?

No. We believe that it is appropriate to recognise a liability for an onerous contract when events have arisen that render the contract onerous. This would result in earlier recognition of a liability than that which would occur if the proposals were adopted.

(b) Do you agree with the additional guidance for clarifying the measurement of a liability for an onerous operating lease? If not, why not? How would you measure the liability?

We agree with the guidance with regard to measurement.
(c) If you do not agree, would you be prepared to accept the amendments to achieve convergence?

We do not believe in convergence if it involves the compromise of conceptual principles. It is to be expected that total convergence at this stage of the project is not a realistic prospect. The blanket adoption of US GAAP to ensure convergence is not what we understand should be a means of achieving the objective of the convergence project.

**Question 9 – Restructuring provisions**

(a) Do you agree that a liability for each cost associated with a restructuring should be recognised when the entity has a liability for that cost, in contrast to the current approach of recognising at a specified point a single liability for all of the costs associated with the restructuring? If not, why not?

We are of the view that a liability should only be recognised when the definition has been satisfied.

(b) Is the guidance for applying the Standard's principles to costs associated with a restructuring appropriate? If not, why not? Is it sufficient? If not, what other guidance should be added?

See our answer to 8(a).
ED OF PROPOSED AMENDMENTS TO IAS 19 EMPLOYEE BENEFITS

Question 1

The Exposure Draft proposes amending the definition of termination benefits to clarify that benefits that are offered in exchange for an employee's decision to accept voluntary termination of employment are termination benefits only if they are offered for a short period (see paragraph 7). Other employee benefits that are offered to encourage employees to leave service before normal retirement date are post-employment benefits (see paragraph 135).

Do you agree with this amendment? If not, how would you characterise such benefits, and why?

We generally agree with the amendment to the definition of termination benefits. However, we believe that the use of the term "short period" requires further clarification. Does this merely mean '12 months or less'?

Question 2

The Exposure Draft proposes that voluntary termination benefits should be recognised when employees accept the entity's offer of those benefits (see paragraph 137). It also proposes that involuntary termination benefits, with the exception of those provided in exchange for employees' future services, should be recognised when the entity has communicated its plan of termination to the affected employees and the plan meets specified criteria (see paragraph 138).

Is recognition of a liability for voluntary and involuntary termination benefits at these points appropriate? If not, when should they be recognised and why?

We agree with the draft proposals.

Question 3

The Exposure Draft proposes that if involuntary termination benefits are provided in exchange for employees' future services, the liability for those benefits should be recognised over the period of the future service (see paragraph 139). The Exposure Draft proposes three criteria for determining whether involuntary termination benefits are provided in exchange for future services (see paragraph 140).

Do you agree with the criteria for determining whether involuntary termination benefits are provided in exchange for future services? If not, why not and what criteria would you propose? In these cases, is recognition of a liability over the future service period appropriate? If not, when should it be recognised and why?

We agree with the draft proposals.