

Accounting Standards Board

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Francoise Flores
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18 June 2012

Dear Francoise

EFRAG DCL on the IASB Exposure Draft *Annual Improvements to IFRSs 2010-2012 Cycle*

I am writing on behalf of the UK Accounting Standards Board (ASB), to respond to the European Financial Reporting Advisory Group (EFRAG) Draft Comment Letter (DCL) on the International Accounting Standards Board (IASB) Exposure Draft (ED) *Annual Improvements to IFRSs 2010-2012 Cycle*.

The ASB has responded to the IASB and a copy of our response letter is attached. The ASB supports the proposed amendments to International Financial Reporting Standards (IFRSs) as part of the annual improvements project, but has commented on six of the proposed amendments in the appendix to the attached letter. The ASB has no further comments, beyond these, on the EFRAG DCL.

If you would like to discuss these comments, please contact Grant Chatterton on 020 7492 2426, e-mail g.chatterton@frc.org.uk, or me.

Yours sincerely

Roger Marshall
Chairman

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

18 June 2012

Dear Hans

IASB Exposure Draft *Annual Improvements to IFRSs 2010-2012 Cycle*

I am writing on behalf of the UK Accounting Standards Board (ASB) in response to the above Exposure Draft (ED).

The ASB's responses to the questions set out in the Invitation to Comment in the ED are included as an appendix to this letter. Overall, the ASB supports the proposed amendments to International Financial Reporting Standards (IFRSs) as part of the annual improvements project. However, the ASB has commented on six of the proposed amendments in the appendix.

The ASB also notes, more generally, that the proposed amendments will increase the already lengthy disclosures required by IFRSs. It is recommended that the IASB should, as part of the annual improvements process, consider how it might reduce disclosures in financial statements.

If you would like to discuss these comments, please contact Grant Chatterton on 020 7492 2426, e-mail g.chatterton@frc.org.uk, or myself.

Yours sincerely

Roger Marshall

Chairman

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Cc: *Organismo italiano di contabilità (OIC)*
Autorité des normes comptables (ANC)
Deutsches Rechnungslegungs Standards Committee e.V. (DRSC)

Appendix: ASB responses to 'General Questions' in the IASB Exposure Draft *Annual Improvements to IFRSs 2010-2012 Cycle*

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

ASB Response:

- 1 Overall, the ASB agrees with the proposals in the ED. However, the ASB wishes to make the following comments:

Definition of 'vesting condition' (IFRS 2):

- The ASB has fundamental concerns with the IFRS 2 standard and considers that it should be reviewed more generally. Small amendments such as the ones proposed are otherwise likely to be necessary on an ongoing basis.

Aggregation of operating segments (IFRS 8):

- The ASB is satisfied with the proposal in the ED, but would reword the suggested amendment (to improve clarity) by deleting from paragraph 22(a) the phrase "and whether operating segments have been aggregated" and by changing the first line of paragraph 22(aa) to "whether operating segments have been aggregated and, if so, the judgements".

Interest paid that is capitalised (IAS 7):

- The ASB is satisfied with the proposal in the ED, but would reword the suggested amendment (to improve clarity) as follows:
 - The suggested amendment to paragraph 16(a) is unnecessary (it is an unrequired example) and potentially confusing, so should be withdrawn;
 - A heading should be inserted in front of paragraph 33 called "Interest recognised as an expense in profit or loss";
 - The suggested amendments to paragraph 33 could be simplified by replacing the bracketed words with "other than capitalised interest";
 - A heading should be inserted after paragraph 34 called "Interest capitalised in accordance with IAS 23 *Borrowing Costs*";
 - The suggested insertion of paragraph 33A should, in order to make the standard more coherent and readable, be made as paragraph 34A following the inserted heading "Interest capitalised in accordance with IAS 23 *Borrowing Costs*"; and
 - The opening sentence of paragraph BC2 should be reworded so that it does not unintentionally appear to suggest that the IASB's view is that capitalised interest should be classified as an investing activity.

Recognition of deferred tax assets for unrealised losses (IAS 12):

- The ASB has fundamental concerns with the IAS 12 standard and considers that it should be reviewed more generally. It notes, however, that there is an immediate problem concerning deferred tax assets in relation to debt securities that are classified as available-for-sale, which should be addressed

promptly. The annual improvements process offers a relatively prompt approach for addressing this problem, but it is generally only appropriate for limited scope issues, and the ASB is concerned that the proposed amendment could potentially have wider implications beyond the scope of the initial query, which concerned only deferred tax assets in relation to debt securities that are classified as available-for-sale. The ASB is therefore of the view that the proposed amendment should be reviewed to ensure that its scope is restricted to the initial query.

Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38):

- The ASB is of the opinion that accumulated depreciation following a revaluation should be zero, such that paragraph 35 of IAS 16 and paragraph 80 of IAS 38 should both be amended by deleting (a) and retaining (b).

Key management personnel (IAS 24):

- The ASB is satisfied with the proposal in the ED, but considers that the IASB may wish to consider extending paragraph 18A with the following phrase: “..., as should the nature and extent (for example, the number of key management personnel provided) of the key management personnel services provided by such an entity.” This will provide users with an understanding of what the “key management personal services” were, so that they can properly assess the monetary amount recognised in the financial statements, and it will also deter companies from establishing a separate management entity for the sole purpose of avoiding the more detailed disclosures required by paragraph 17.

Question 2

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

ASB Response:

- 2 The ASB agrees with the proposed transitional provisions and effective date for the proposals in the ED.