FRC

Accounting Standards Board

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Stig Enevoldsen
Chairman
European Financial Reporting Advisory Group
35 Square de Meeûs
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Brussels

22 October 2009

Dear Stig

IASB Exposure Draft: Improvements to IFRSs (ED/2009/11)

I am responding on behalf of the Accounting Standards Board (ASB) to the European Financial Reporting Advisory Group (EFRAG) draft comment letter on the above Exposure Draft (ED).

The ASB has reviewed the proposals as set out in the exposure draft and has responded directly to the International Accounting Standards Board's (IASB) invitation to comment. I have attached a copy of the ASB's letter to the IASB.

The ASB, similar to EFRAG, supports the majority of the proposals set out in the ED. The ASB has formed different views, however, in relation to two amendments. The first concerns the amendment to IAS 8 *Changes in terminology to the qualitative characteristics* where it considers that the amendments should not be made until the completion and publication of the relevant chapters of the conceptual framework. Second, the ASB does not support the proposed amendment to IAS 28 *Partial use of fair value for measurement of associates*. In the ASB's view it is irrelevant how a parent entities shareholdings are distributed amongst its subsidiary entities, what matters is if the parent entity can exercise significant influence.

Should you have any questions please do not hesitate to contact either myself or Michelle Sansom, Project Director, on 020 7492 2432 or by email m.sansom@frc-asb.org.uk .

Yours sincerely

Ian Mackintosh

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International Accounting Standards Board
30 Cannon Street
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22 October 2009

Dear Sirs

Exposure Draft: Improvements to IFRSs (ED/2009/11)

I am responding on behalf of the Accounting Standards Board (ASB) to the Exposure Draft: Improvements to IFRSs.

The ASB has reviewed the proposals as set out in the exposure draft and has responded to the invitation to comment in appendix to this letter. The ASB supports the majority of the proposals set out in the ED; its detailed comments therefore only address areas where the ASB has concerns.

Should you have any queries regarding our response please contact me or Michelle Sansom, Project Director, on 020 7492 2432 or by email m.sansom@frc-asb.org.uk.

Yours sincerely

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Appendix One: ASB response to Invitation to comment

Question 1

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

Response:

The Accounting Standard Board agrees with the proposals as set out in the exposure draft except for:

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Changes in terminology to the qualitative characteristics

Notwithstanding the ASB comments on the Conceptual Framework project the ASB is of the view that the proposed changes to IAS 8 should be made as consequential amendments when the updated Conceptual Framework chapters are issued – and not in advance. The ASB accepts this matter might be considered an issue of detail but notes that key to enforceability of standards is clear and consistent language. The ASB also notes that the IFRS for Small and Medium-sized Entities has adopted proposals from the tax exposure draft which may now not proceed.

IAS 28 Investments in Associates – Partial use of fair value for measurement of associates

The ASB does not support the proposed amendment and considers that the alternative option (view 1) set out in BC2 is correct. In the ASB's view it is irrelevant how a parent entities shareholdings are distributed amongst its subsidiary entities, what matters is if the parent entity can exercise significant influence.

IAS 27 Consolidated and Separate Financial Statements – Impairment of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements of the investor

The ASB does not agree with the proposed amendment to paragraph 38(b); that is replacing 'in accordance with IAS 39' with 'at fair value through profit or loss'. The ASB does not support removing the option for entities to recognise a gain or loss in other comprehensive income for investments in subsidiaries.

The ASB has the following additional comments:

IFRS 7 Financial Instruments: Disclosures – Clarification of disclosures

The ASB considers that it is necessary to disclose the carrying amount of financial instruments with credit risk exposure. In the ASB's view, this is necessary for users to understand what the maximum exposure to credit risk relates to and how much of the total carrying amount of financial instruments with credit risk exposure is representative of the maximum exposure to credit risk.

IAS 1 Presentation of Financial Statements – Clarification of the statement of changes in equity

The ASB agrees with the proposed amendment, however, the drafting is not clear. The ASB suggests paragraph 106 of IAS 8 is redrafted as follows:

106 An entity shall present a statement of changes in equity showing in ~~the~~ that statement or in notes to the statement of changes in equity the following components:

Question 2

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

Response

Proposed amendment arising from IFRS 3

The ASB notes that the transition provisions for the proposed amendments to IFRS 7, IAS 32 and IAS 39 refer to the previous IFRS 3 which is no longer extant. The ASB considers that it would be better to clarify in the scope of these Standards that only contingent consideration that is part of a business combination that is accounted for in accordance IFRS 3 revised is within the scope of the standards.

Proposed amendment to IAS 28

The ASB notes that paragraph 41E of IAS 28 does not specify if the amendment to the scope of the standard should be applied retrospectively or prospectively. The ASB assumes that in the absence of specific guidance the amendment should be made retrospectively in accordance with IAS 8.

Question 3

The Board proposes changes to IAS 34 *Interim Financial Reporting* to emphasise its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft *Fair Value Measurement* in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 *Financial Instruments: Disclosures* for annual financial statements should also be required for interim financial statements.

Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?

Response

The ASB considers that the proposed amendment to IAS 34 should lead to more useful information being made available to investors and other users of interim financial reports than the extant version of IAS 34. The ASB notes that in relation to paragraph 15B(h) and the proposal to disclose all IFRS 7 'Financial Instruments: Disclosures' in interim financial reporting it is important to consider the cost benefits of such disclosures. The ASB is of the view it is important to equate the usefulness of information provided with the cost associated with its production (including possible time delays).

The ASB suggested in its response to the 'Fair Value Measurement' ED that it would be more appropriate to set out the principle for disclosures which is outlined in paragraph 56 of the ED and relegate the other paragraphs (57-61) to guidance which is non-mandatory.

Question 4 The Board proposes changes to IAS 34 *Interim Financial Reporting*. Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead and why?
Response The ASB supports the application of principle based accounting standards. The ASB therefore supports the amendment to paragraph 15 of IAS 34 as it sets out the intention of disclosures to be provided in interim financial reports "an explanation of events and transactions that are significant to an understanding of the change in financial position and performance of the entity since the end of the last annual reporting period". The ASB also supports providing a list of types of events, as in paragraph 15B, noting the list is not exhaustive. The ASB notes, however, that language in paragraph 15B is not consistent; in certain instances the events and transactions include a reference to 'significant' however, paragraphs 15B(l) and 15B(m), for example, do not specify that only 'significant' changes should be disclosed. The ASB suggests the detailed drafting be reviewed in this paragraph.

Question 5 The Board proposes to amend IAS 40 *Investment Property* to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Do you agree that the proposed amendment should be included within *Improvements to IFRSs* or should a separate project be undertaken to address this issue? If you believe a separate project should be undertaken, please explain why.
Response The ASB agrees with the proposed amendment and therefore does not support a separate project at this time – especially in view of the work demands on the IASB following the recent financial crisis.