



DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

EFRAG  
Stig Enevoldsen  
13-14 Avenue des Arts  
B-1210 Brussels  
Belgium

Telefon +49 (0)30 206412-12

Telefax +49 (0)30 206412-15

E-Mail info@drsc.de

Berlin, 30 June 2008

Dear Stig,

**EFRAG's Assessment of the Amendment to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate**

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on EFRAG's assessment of the amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. We appreciate the opportunity to comment on EFRAG's assessment.

We agree with the views set out in the assessment of the amendments, i.e. we support the positive endorsement advice to the European Commission. The view is supported by the answers we received following a survey that the GASB carried out with selected companies in Germany. For this purpose we sent your questionnaire to the DAX30 companies. We received responses of five preparers as a result of the survey, all of whom fully support the EFRAG's technical assessment regarding IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

The GASB as a standard setter did not itself evaluate the costs and benefits that are likely to arise for preparers and users by the implementation of the amendments. However, all five respondents to the above-mentioned survey agreed with EFRAG's assessment of the costs and benefits arising, i.e. they support EFRAG's conclusion that the benefits to be derived from applying the amendments will exceed the costs involved.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

*President*

Zimmerstr. 30 · 10969 Berlin · Telefon +49 (0)30 206412-0 · Telefax +49 (0)30 206412-15 · E-Mail: info@drsc.de

Bankverbindung: Deutsche Bank Berlin, Konto-Nr. 0 700 781 00, BLZ 100 700 00

IBAN-Nr. DE26 1007 0000 0070 0781 00, BIC (Swift-Code) DEUTDE33

Vereinsregister: Amtsgericht Berlin-Charlottenburg, VR 18526 Nz

Vorstandsausschuss:

Heinz-Joachim Neubürger (Vorsitzender), Dr. Helmut Perlet (Stellvertreter), Prof. Dr. Rolf Nonnenmacher (Schatzmeister), Dr. Kurt Bock, Dr. Werner Brandt  
Generalsekretär: Prof. Dr. Manfred Bolin

**INVITATION TO COMMENT ON THE EFRAG'S ASSESSMENTS OF THE AMENDMENTS TO IFRS 1 AND IAS 27 "COST OF AN INVESTMENT IN A SUBSIDIARY, JOINTLY CONTROLLED ENTITY OR ASSOCIATE"**

**Comments should be sent to [commentletter@efrag.org](mailto:commentletter@efrag.org) or uploaded via our website by 1 July 2008**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the amendments to IFRS 1 *First-time Adoption of International Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (the Amendments). In order to do that, EFRAG has been carrying out a technical assessment of the Amendments against the criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the EU.

A summary of the Amendments is set out in Appendix 1.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record unless the respondent requests confidentiality. In the interests of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

- 1 Please provide the following details about yourself:
  - (a) Your name or, if you are responding on behalf of an organisation or company, its name:  
German Accounting Standard Board (GASB)
  - (b) Are you/Is your organisation or company a:  
 Preparer       User       Other (please specify) Standard setter
  - (c) Please provide a short description of your activity/ the general activity of your organisation or company:  
\_\_\_\_\_
  - (d) Country where you/your organisation or company is located:  
Germany
  - (e) Contact details including e-mail address:  
Liesel Knorr, Zimmerstr. 30, 10969 Berlin, Germany  
knorr@drsc.de

*Amendments to IFRS 1 and IAS 27 “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” – Invitation to Comment on EFRAG’s Assessments*

- 2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the true and fair principle and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes                      No

                    

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

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- (b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

*no* \_\_\_\_\_

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- 3 EFRAG is also assessing the costs that will arise for preparers and for users to implement the Amendments both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the work. The results of the initial assessment are that the Amendments will not involve users or preparers incurring significant year one cost or ongoing costs. EFRAG’s reasoning is set out in Appendix 3.

Do you agree with this assessment?

Yes                      No

                    

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

*As the national standard setter, we are not in the position to evaluate these aspects. We, instead, refer to the survey carried out by the GASB and the additional comments received (see the cover letter).*

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*Amendments to IFRS 1 and IAS 27 “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” – Invitation to Comment on EFRAG’s Assessments*

- 4 As EFRAG believes (as explained in Appendix 3) that the Amendments will improve the quality of the financial information provided and its implementation will only involve insignificant costs, it has tentatively concluded that the benefits to be derived from applying the amendments will exceed the costs involved.

Do you agree with this assessment?

Yes

No

If you do not, please explain why you do not and what you think the implications should be for EFRAG’s endorsement advice?

*See our answer to question 3.* \_\_\_\_\_

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- 5 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes

No

If you do not, please explain why you do not and what you think the implications should be for EFRAG’s endorsement advice?

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