Accounting Standards Board

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Francoise Flores
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9 September 2011

Dear Francoise

EFRAG DCL on the IASB Exposure Draft *Improvements to IFRSs*

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) *Improvements to IFRSs*.

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 suggested three minor amendments in the appendix to the attached letter. The following additional comments are specific to the EFRAG DCL:

- The meaning of paragraph 7 of the EFRAG DCL is unclear, as paragraph D23(a) of the proposed amendment to IFRS 1 does refer to the 'borrowing cost component that was capitalised under previous GAAP'.
- Any perceived conflict between paragraphs 52B, 58 and 61A of IAS 12 may be resolved if the IASB were to provide an example of when the income tax consequences of dividends would not be recognised in profit or loss for the period (see paragraph 52B of IAS 12).

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

9 September 2011

Dear Hans

IASB Exposure Draft *Improvements to IFRSs*

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. In summary, the ASB supports the proposed amendments to International Financial Reporting Standards (IFRSs) as part of the annual improvements project. However, the ASB has suggested three minor amendments in the appendix.

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

Yours sincerely

Roger Marshall

Roger Marshall
Chairman
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Appendix: ASB responses to 'General Questions' in the IASB Exposure Draft *Improvements to IFRSs*

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 considers that the proposals should be modified as follows:

Repeated application of IFRS 1:
- The ASB agrees with the proposal in the ED, but considers that an entity that has previously applied IFRS 1 should be required to disclose that fact, together with the reason why it stopped and now wishes to resume reporting in accordance with IFRS.

Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the transition date:
- The ASB is satisfied with the proposal in the ED.

Clarification of requirements for comparative information:
- The ASB agrees with the proposal in the ED, except for one point of detail. In particular, the ASB disagrees with the requirement in the ED for an entity to present additional comparative information in the notes where it has chosen to present additional comparative information in one or more statements for periods before the required comparative period (paragraph 38B). The ASB considers that the entity should, in this case, be permitted but not required to present additional comparative information in the notes. The entity was permitted but not required to present additional comparative information in the statement(s), so it is unclear why a decision to present that unrequired information should give rise to a requirement to present additional comparative information in the related notes.

Changes to reflect the Conceptual Framework for Financial Reporting 2010:
- The ASB is satisfied with the proposal in the ED.

Classification of servicing equipment:
- The ASB is satisfied with the proposal in the ED.

Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction:
- The ASB is satisfied with the proposal in the ED.

Interim financial reporting and segment information for total assets:
- The ASB agrees with the proposal in the ED, except for one point of detail. In particular, the ASB considers that a measure of total assets should be

reported for all reportable segments if there has been a material change from the amount disclosed in the last annual financial statements for a particular reportable segment, whereas the ED requires the measure of total assets to be reported only for the particular reportable segment for which there has been a material change. It is possible that a material change in the total assets of one segment may result from a reclassification adjustment involving a number of immaterial changes in other segments, and the ASB staff consider that the user would benefit from understanding the changes in all reportable segments in this case. An example of a segment reclassification adjustment can be found in the BT Group plc annual report for the year ending 31 March 2009, as follows:

> *In addition to the four customer-facing lines of business, the remaining operations of the group are aggregated and included within the 'Other' category to reconcile to the consolidated results of the group. In the prior year, the results of 'Other' included any over or under recovery of costs by BT Design and BT Operate. In the current year, all costs from BT Design and BT Operate have been fully allocated to the customer-facing lines of business in line with the services they provide. This amounts to £32m of operating costs and £129m of depreciation and amortisation in the year to 31 March 2009. In 2008, there was no such allocation as we were transforming the business and developing the trading model.*

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 effective date for the proposals in the ED. The ASB also agrees with the proposed transitional provisions, but considers that the proposals in relation to the repeated application of IFRS 1 should be modified as explained in the response to question 1.