CESR

THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS

Ref: 07-217

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IASB's exposure draft on Proposed Amendments to IFRS 1

Dear Mr. Enevoldsen,

The Committee of European Securities Regulators (CESR), through its standing committee on financial reporting (CESR-Fin), considered EFRAG's draft letter on the Exposure Draft of Proposed Amendments to IFRS 1 "*First-Time Adoption of International Financial Reporting Standards: Cost of an Investment in a Subsidiary*".

We thank you for this opportunity to comment on your draft letter and we are therefore pleased to provide you with the following comments:

- In general, CESR-Fin is supportive of EFRAG's letter on this Exposure Draft.

- However, CESR-Fin has one observation with respect to paragraph 2 of your reply to Question 1, which states that equity accounting could be considered as a possible third form of relief. It is not clear to us how this relief would work. As CESR-Fin understands, the relief that is provided in B5 (a) means in practice that at the time of transition to IFRS the parent normally uses equity accounting, using the carrying amounts that IFRS would require, to calculate the deemed cost. As in near all cases this information would need to be available to prepare the transition of the consolidated financial statements, it seems to us that this is not an undue burden to the parent entity.
  In addition, we would agree with the comment made by the IASB in BC4 that, in some situations, the cost of an investment in a subsidiary determined in accordance with an entity's previous GAAP bore little resemblance to the cost calculated in accordance with IAS 27 and we would argue that the same argument could be made when using the net assets of the subsidiary calculated under previous GAAP as deemed cost.

- In addition, CESR-Fin believes that a comment could be made that the Board should consider requiring disclosure of an entity's accounting under IAS 27 upon first time adoption of IFRS, given the choices permitted under proposed paragraphs B5 and B6 of IFRS 1.

I should be happy to discuss all these issues further with you.

Yours sincerely,

Paul Koster
Chairman of CESR-Fin

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