
From: Porter, Andrew [mailto:APorter@afi.com.au]

Sent: 06 April 2009 01:15

To: Iasb

Cc: Porter, Andrew; Barker, Ross

Subject: Comments regarding IASB's request for views on Proposed FASB Amendments to Impairment Requirements for Certain Investments in Debt and Equity Securities

Dear Sir/Madam,

I am writing as CFO of Australia's largest and oldest Listed Investment Company, and therefore represent the views of not only a preparer of accounts for a public company but also as a user of accounts for many companies in which we invest.

The FASB approach to impairment for AFS assets is significantly more advanced, and more reasonable, than the current IASB one incorporating, as it does, the intent and ability of management to retain the investment in the security to allow for any anticipated recovery in fair value.

Although the IASB does not attempt to define 'significant and prolonged' decline in the accounting standard, which is used as 'objective evidence' of impairment, this has not stopped major auditing firms from arbitrarily making such definitions, thus removing the ability of management to review the investments on a case-by-case basis with specific reference to the circumstances of the entity holding the investment. FASB specifically gives management this discretion, with additional information required to be given as to the amounts and time for which investments have had a fair value below accounting cost.

The current proposals by FASB do not remove or reduce this flexibility. IASB should be seeking to incorporate it. Due to the over-rigid interpretation of IAS 39, two companies with an equity investment in a listed stock are forced to treat it differently with regards to 'impairment' depending purely on the accounting cost and the length of time that they have held the investment without any consideration to a loss event that would impact on the estimated future cash flows of the financial asset.

We note that in both cases AFS assets are valued at fair value on the Balance Sheet – the issue of 'impairment' only affects whether reductions in value continue to be recognised through the balance sheet or are transferred to the income statement.

Regards,

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