Sir David Tweedie
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London
United Kingdom

29 February 2016

Our ref KP-MA-101

Contact Muhammad Ali

Dear Sir,

Exposure Draft of Proposed Improvements to IFRS

I am pleased to respond to the International Accounting Standards Board's ("the IASB") Exposure Draft of Proposed Improvements to IFRS (referred as "the exposure draft").

I acknowledge and appreciate the IASB's continuing process to deal with certain amendments to IFRS in an efficient and effective manner. Generally I agree with the amendments proposed in the exposure draft. However, I have certain concern over some of the amendment proposed which I personally believe fails to achieve any improvements and has summarized it below for your / Board's perusal.

<u>Concern's with the exposure draft's proposal</u>

My concerns with certain amendments proposed are centre around the following:

Amendment to IFRS 1-Revaluation basis as deemed cost

The provision of further option to use revaluation carried after transition to IFRS as deemed cost reflect that on adoption an entity is making provisional accounting with a view to incorporate further changes after transition date. The provision of such relaxation is akin to allowing provisional accounting at the date of transition. I understand that Board is committed to provide as many relaxation as it can to make transition process less onerous for entities willing to transit to IFRS, but extending such relaxation to such extent would undermine the principles underpinned the IFRS. The decision to transit to IFRS is not an overnight decision but it has been a very painstaking process. The entity which has an intention to opt such relaxation on adoption should carry out valuation at or before transition to IFRS. The Board should redraft the exemption by stating that an entity which has an intention to opt such deemed cost exemption on adoption shall revalue its assets where fair value can be measured reliably. Where an entity has conducted revaluation most recently (i.e. before transition date) then in such case an entity should consider whether any events have occurred since last valuation which has materially affected fair value, an update on such valuation should be carried out to reflect fair value at the transition date. This view is consistent with view held under IAS 16 with respect to revaluation of property, plant and equipment. Allowing further exemption to incorporate revaluation carried after transition date is not justifiable.

Accounting policy change in year of adoption:

Similarly allowing an entity to subsequently change policy or use of exemption is not a prudent approach and considerably deviates from existing IAS 8 with no proper justification. The said exemption allows an entity to benefit from hindsight which might result in loss of represent faithfulness principle and lead to unintended consequences. Further it allows cherry picking of exemption and undermines the principle of provision of exemption from certain requirement on adoption.
The Board should re-evaluate whether providing such relaxation is consistent with the underlying principle which Board has considered when drafting certain exemption in IFRS 1 in first place.
I don't mean that rectification of error should be restricted if it really is, but more principle should be developed when an entity should be allowed to make such change instead of providing free choice. Decision of opting any accounting policy or exemption is not made in haste instead it consequences is also considered on financial statements. By explicitly mentioning such relaxation would undermine the principle which one should consider when option any accounting policy or exemption. I would recommend if Board is intending to going forward with this exemption to place more rigor around such exemption by providing conditions which would justify such change otherwise I believe in it present form such drafting provide an entity to benefit from hindsight. The Board should also re-evaluate such relaxation in the light of changes proposed in the exposure draft to paragraph 10 of IAS 8 which reflect the consideration which an entity should take care of when selecting any accounting policy.

Amendment to IAS 1-clarification of statement of changes in equity:

The title of such statement reflects that changes to equity would be reflected in such statement. By providing an option to present changes either in such statement or in note really question the preparation and making such statement as one of the primary statement. I consider that all changes in equity should be presented in such statement so that user could see it at one place instead of scattered it in other note by making cross references in the primary statement. It really undermines the true purpose of such statement and the said presentation would be in conflict with the title of the statement.

Amendment to IAS 27 with respect to Impairment of Associates in separate financial statements:

By the date of deliberation on the comment letters on the exposure draft, the Board would already have voted on the issuance of the amendment with respect measurement and classification of financial assets in IAS 39 or might already has issued revised IFRS on measurement and classification of IAS 39. I don't know what stance Board would take on such issue. Whether deleting cost exemption in IAS 27 so as to make it consistent with the requirement of IAS 39 or might provide some guidance with in IAS 27 with respect to determination of impairment.
At present no comment on such has been provided as it would depend what stance Board will take.
But I would like to comment on the approach the Board has taken with respect to objective of such investments in separate financial statements. IAS 27 does not mandate which entity to present separate financial statements; it is elective one unless local regulation requires preparation

of such. It is inherent in such statement that users of the financial statements are not relevant in separate financial statements an entity prepares, rather an entity with legal obligation or by voluntarily prepare such separate financial statements. The Board conclusion on defining the purpose of such investments in separate financial statements is inconsistent with the objective the Board taken on preparation of such separate financial statements. The Board concluded that carrying those investments at fair value or cost would be relevant as focused in upon the performance of the assets as investment i.e. as financial instruments. The Board drawing of such conclusion seems incomprehensible as such investments are of strategic and long term in nature. Fair value of such investments is not making any decision usefulness to users. The Board in itself is not providing enough clarification on purpose of such investments in separate financial statements. I consider that Board should carryout an analysis of the purpose of such investments in separate financial statements by seeking input from users to make any concrete decision.

If you have any questions concerning my comments, please don't hesitate to contact me at my email address.

Yours sincerely,

Muhammad Ali