ASC
ACCOUNTING STANDARDS COUNCIL

24 November 2009

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By online submission)

Dear Sir

RESPONSE TO EXPOSURE DRAFT ON IMPROVEMENTS TO IFRSs (ED/2009/11)

The Singapore Accounting Standards Council (ASC) appreciates the opportunity to comment on the Exposure Draft on Improvements to IFRSs issued by the International Accounting Standards Board (IASB) in August 2009.

Our comments on the specific questions in the exposure draft are as follows:

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?

   With the exception of the following proposed amendments and the proposed amendments for IAS 34 *Interim Financial Reporting* and IAS 40 *Investment Property* which are explained in questions 3 to 5, we agree with the remaining proposed amendments to the IFRS as described in the exposure draft:

   a) IAS 1 *Presentation of Financial Statements* – Clarification of statement of changes in equity

   In the Basis for Conclusions, the intention of the proposed amendment to paragraph 106 of IAS 1 was to clarify that entities are permitted to present the reconciliation requirements for classes of accumulated other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. However, by introducing the new text "or in the notes" in the first sentence of paragraph 106 of IAS 1, it allows all sub-paragraphs to be shown in the notes to the financial statements, instead of only sub-paragraph 106(d).

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We recommend that paragraph 106 of IAS 1 be amended as follows:

"An entity shall present a statement of changes in equity showing in the statement:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners or the parent and to non-controlling interests; and

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8;

(c) [deleted]

and in the statement or in the notes:

(d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

- ***(i) profit or loss;***
- ***(ii) each item of other comprehensive income; and***
- ***(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control."***

b) IAS 27 *Consolidated and Separate Financial Statements* – Impairment of investments in associates in the separate financial statements of the investor

We disagree with the proposed amendment that impairment testing of investments in subsidiaries, jointly controlled entities and associates accounted for at cost in separate financial statements should be performed in accordance with the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* as such investments do not have similar characteristics as other type of investments. Instead, we agree with the first view in the Basis for Conclusion that such investments should be accounted for in accordance with the provisions of IAS 36 *Impairment of Assets*.

In addition, we disagree with the amended text in paragraph 38 of IAS 27 from "(b) in accordance with IAS 39" to "(b) at fair value through profit and loss" as it eliminates the option of accounting for the investments in subsidiaries, jointly controlled entities and associates at fair value through other comprehensive income. We recommend that the IASB retain the current text to include fair value through other comprehensive income.

Without taking into account the previous paragraph, the amended text in paragraph 38 of IAS 27 from "(a) at cost, or (b) in accordance with IAS 39" to "(a) at cost, or (b) at fair value through profit or loss, each in accordance with IAS 39" may create the impression that the scope of IAS

39 covers financial assets measured at cost. We recommend that paragraph 38 of IAS 27 be amended as follows:
"(a) at cost or (b) at fair value through profit and loss in accordance with IAS 39".

c) **IAS 28 *Investments in Associates* – Partial use of fair value for measurement of associates**

Whilst we agree with the proposed amendment that different measurement bases can be applied to portions of an investment in an associate when part of the investment is designated at initial recognition as at fair value through profit or loss in accordance with the scope exception in paragraph 1 of IAS 28, we recommend that an entity disclose a description of the facts and circumstances when there is a decision to change the classification of such investments.

2. Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

   With the exception of IAS 40 *Investment Property* which is explained in question 5, we agree with the proposed transition provisions and effective date for the issue as described in the exposure draft.

3. The Board proposes changes to IAS 34 *Interim Financial Reporting* to emphasise its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft *Fair Value Measurement* in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 *Financial Instruments: Disclosures* for annual financial statements should also be required for interim financial statements.

   Do you agree with this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?

   Whilst the proposed amendment is likely to lead to useful and timely information being made available to investors and other users of interim financial reports, we propose that local standard setters be given the flexibility to determine the frequency of full disclosures in interim financial statements as we are mindful of the time constraints and cost consideration faced by entities that publish quarterly financial reports.

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4. The Board proposes changes to IAS 34 *Interim Financial Reporting.* Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead and why?

    Disclosures in interim financial statements should be principle-based rather than rule-based. Hence, we recommend that the disclosure requirements of proposed paragraph 15B of IAS 34 remain as examples, ie maintain the existing text in paragraph 17 of IAS 34.

    In addition, in respect of paragraph 15 B of IAS 34, we recommend to:
    - **merge clauses (f) and (m) as well as (h) and (k) for better presentation;**
    - **expand clause (c) to include changes in provisions; and**
    - **amend clause (h) to cover only assets and liabilities (whether financial or otherwise) which are recognised at fair value.**

5. The Board proposes to amend IAS 40 *Investment Property* to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Do you agree that the proposed amendment should be included within *Improvements to IFRSs* or should a separate project be undertaken to address this issue? If you believe a separate project should be undertaken, please explain why.

    We disagree with the proposed amendment to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale. The proposed amendment will restrict land held for a currently undetermined future use, which is classified as investment property[1], to be transferred to inventory if and when development for sale commences. This restriction is not consistent with the intention of paragraphs 57 and 58 of IAS 40 where subsequent reclassification of property is based on change in use. The same would apply to property investors when they redevelop their investment properties for sale in future.

    In addition, the proposed amendment is inconsistent with the recent amendment to IAS 16 in AIP 2008. The recent amendment to IAS 16 allows an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others, to transfer those items of property, plant and equipment to inventories. If

[1] Paragraph 8(b) of IAS 40 listed land held for a currently undetermined future use as an example of investment property.

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transfers from investment property to inventories are prohibited while transfers from property, plant and equipment to inventories are mandated, entities with similar business model of redeveloping and selling properties will reflect different profit or loss depending on the initial classification of the properties as property, plant and equipment or investment properties. Such outcomes are clearly not reflective of the principal activities of property developers.

We recommend that paragraph 56 of IAS 40 be amended to address the potentially inconsistent guidance regarding the classification of an investment property when it will be developed for sale. All investment properties should be transferred to inventories when they are developed for sale, regardless of whether they are accounted for using the fair value model or the cost model.

Notwithstanding the above disagreement, the proposed paragraph 58A(b) is unduly onerous and inconsistent with the requirements of IFRS 5 which requires such disclosures only if the non-current asset meets the criteria to be classified as held for sale. In addition, we would like to highlight that paragraph 60 of IAS 40 in the exposure draft had not removed the existing text "or inventories" and "or IAS 2" to reflect the proposed amendment.

We hope that our comments will contribute to the IASB's deliberation on this exposure draft. Should you require any further clarification, do contact me. Thank you.

Yours faithfully,

Dexter Tan
Secretary, Accounting Standards Council

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