THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND

KS/ASC-SUB/mb

International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

24 November 2009

Dear Sir or Madam

IASB EXPOSURE DRAFT OF PROPOSED IMPROVEMENTS TO IFRSS

The Institute's Accounting Standards Committee has considered the above Exposure Draft and I am pleased to set out its comments below.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires its committees and working parties to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Our comments are limited to those areas where we either disagree with or have concerns with the proposed amendments. Where no comment is made about a specific proposal the Committee has no objection to the proposed amendment.

Our comments on the proposed improvements are set out below.

Comments on Individual Proposals

IFRS 1 First Time Adoption of International Financial Reporting Standards

Revaluation Basis as Deemed Cost

The Committee agrees that this is an area which requires clarification. However, we note that the purpose of IFRS 1 is to ease the process of transition to IFRS and we do not believe that this provision aids the preparer in this respect, as it may not be able to use any of the other exemptions for the purpose of determining the measurement of the relevant asset at the date of transition to IFRS without incurring additional costs. The Committee concurs with the suggestion in BC5 which proposed using deemed cost from revaluation amounts subsequently obtained on the date of measurement as this proposal would have been more practical.

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IFRS 3 Business Combinations

Transition Requirements for Contingent Consideration
The Committee agrees with the proposals in principle but is concerned that the wording in BC4 implies that IAS 39 would apply to all contingent consideration, when this was not what was intended. We are also concerned that, unless an entity has already applied this amendment, this implies that IAS 39 would have to be used during the transition period. We believe the wording is ambiguous and needs to be clarified.

IAS 1 Presentation of Financial Statements

Statement of Changes in Equity
We agree with this proposed amendment in principle. However, we are concerned that the proposed wording could imply all the information in the Statement of Changes in Equity can be shown in the notes, leaving no information to be presented within the primary statement. Clearly this was not the intention and therefore the wording should be made clearer as to which information is capable of being relegated to the notes.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Change in Terminology to Qualitative Characteristics
The Committee understands the need to clarify the guidance within IAS 8. However, we are concerned that the amendment references the draft conceptual Framework before this has been fully approved and implemented. Ideally, amending existing standards to reference the new Framework should be undertaken as a one-off exercise once the Framework has been finalised rather than on a piecemeal basis when the standards are being amended for other reasons. Although we agree that an exception should be made in the case of IAS 8 we do not support the approach suggested for the amendment of other standards.

IAS 27 Consolidated and Separate Financial Statements

Impairment of Investments in Associates in Separate Financial Statements
The Committee disagrees with this proposal. We believe that the impairment of investments in subsidiaries, jointly-controlled entities and associates should be consistent between the separate financial statements and the consolidated group financial statements. We would therefore advocate that impairments in the separate financial statement should be carried out under IAS 36 as consistent with the consolidated group financial statements. We believe that this amendment would result in practical difficulties in application as the use of IAS 39 will require entities to determine the fair value of such investments, which in general will be unlisted investments.
I hope our comments are useful to you in the finalisation of this Exposure Draft. If you would like to discuss any of them further, please do not hesitate to contact me.

Yours faithfully

Karen Shaw

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