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International Accounting Standards Board
30 Cannon Street
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Exposure Draft: Annual Improvements Project (ED/2009/11)

Dear Sir/Madam,

Thank you for the opportunity to comment on the IASB Exposure Draft ED/2009/11 – Improvements to IFRSs. The Volkswagen Group is one of the world's leading automobile manufacturers and the largest carmaker in Europe. With our 100%-owned subsidiary Volkswagen Financial Services AG we are also the largest automobile financial services provider in Europe. On behalf of the Volkswagen AG, Wolfsburg, we are pleased to provide you with remarks on the proposed Exposure Draft in response to your Invitation to Comment.

Except for the following remarks we agree to the proposed amendments.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Application of IFRS 5 to loss of significant influence over an associate or a jointly controlled entity and IAS 28 Investments in Associates – Partial use of fair value for measurement of associates

We wonder about the objective of IFRS 5. With the amendment e. g. when an entity holding 21 % of an investment sells 2 % of it one month after the balance sheet date, losses significant influence, but retains 19 % of the interest, the total investment will be reclassified from non-current to held for sale at the balance sheet date and 90 % of the investment will be reclassified at next quarter back as non-current. We can not see that this is what most users would expect to happen to an asset shown under a position called "held for sale". Therefore the IASB should at least rethink the labeling. Further the IASB may reconsider why to reclassify investments that will be disposed by sale, even if only a small part of the investment is effectively sold, but will not reclassify investment in other form of disposal.

IAS 27 Consolidated and Separate Financial Statements. Impairment of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements of the investor

We can not agree to apply the requirements of IAS 39 for the determination and measurement of impairment losses on investments in subsidiaries, jointly controlled entities and associates measured at cost in the separate financial statement of the investor. In general cost is an entity specific measurer that also includes synergies. We can not agree that fair value in itself is a meaning full measurer for impairment for those assets, but recoverable amount is. More important, fair value can often not be estimated faithfully for those investments on a stand alone basis. Volkswagen has more than 400 subsidiaries, substantially all of them without public market prices or reference price. Therefore, fair value must be estimated. This is done in practice by reference to the cash flows generated by the entity. On the first glance some could say, there will be no big difference between fair value and recoverable amount at the end of day. Indeed, academic analyses show that under IAS 36 especially in Germany recoverable amount is often measured by model based fair value less cost to sell. However, there is a big difference as the measurement of impairment losses under IAS 36 is done on CGU-level while testing of impairment losses under IAS 39 would be done on a stand alone basis. Especially subsidiaries within a group generate for many reasons like tax purposes, organizational, regulatory or even historical causes often no cash inflows that are largely independent of the cash inflows of other assets of a group. Therefore the impairment test in IAS 39 makes no sense. Last: IASB just drafted an ED for the new impairment test under IFRS 9 and there is no impairment test for investments in equity. We do generally not agree in adopting rules with such a short half-life.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Change in terminology to the qualitative characteristics

We agree to the amendments to terminology as we agreed to the changes to the framework. However, as stated in our comment letter regarding the framework we would prefer if the framework will not be adopted before all parts are finalized and therefore we also would prefer not to adopt changes to the standards before the new complete framework is enacted. Further, we would prefer to have a unified revision of all standards regarding the new terminology instead of a revision in pieces.

IAS 34 Interim Financial Reporting – Significant events and transactions

We fully agree to concept in IAS 34. Ceterum censeo, we ask the IASB to clarify what is meant by the terms “significant” and “material” not only on a qualitative but also on a quantitative basis. As these terms are crucial to the whole IFRS concept it is indispensable to have at least a clear indication what is under normal circumstances significant and material.

Best Regards,

Karl Gadesmann