



MALAYSIAN ACCOUNTING STANDARDS BOARD  
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

7 November 2008

Sir David Tweedie  
Chairman  
International Accounting Standards Board (IASB)  
30 Cannon Street  
London EC 4M 6 XH  
United Kingdom

Dear Sir David

### IASB EXPOSURE DRAFT OF PROPOSED IMPROVEMENTS TO IFRSs

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments to the IASB on Exposure Draft of Proposed Improvements to IFRSs.

We have the following comments for your consideration.

- (1) **Proposed amendment to Appendix of IAS 18 Revenue**  
- determining whether an entity is acting as a principal or as an agent

We note that EITF 99-19 states that none of the indicators should be considered presumptive or determinative and the relative strength of each indicator should be considered. EITF 99-19 also specifies which of the indicators (ie credit risks) would provide weaker evidence that the entity has risks and rewards as a principal in the transaction.

We wish to suggest IASB to include guidance in the proposed example 21 of Appendix of IAS 18 similar to that provided in EITF 99-19, to ensure consistent application of the principle in the example.

We also would like to suggest IASB to provide an illustration on the application of the proposed example 21, similar to that provided in Exhibit 99-19A in EITF 99-19, so as to clarify the amendments and help readers in applying the guidance.

- (2) **Proposed amendment to IAS 36 Impairment of Assets**  
- unit of accounting for goodwill impairment

We do not agree with the proposal that the required unit for goodwill impairment should not be larger than the operating segment level before permitted aggregation.



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In practice, we believe the CODM will not always monitor goodwill based on an operating segment before aggregation. Instead, the CODM may monitor goodwill based on a combination of segments which makes up a CGU.

An example would be a research and development (R&D) division acquired in a business combination of which the management may consider it as a segment of a larger group. The cash flows generated to recover the goodwill arising from the business combination may not come from the R&D activities but rather from the results of other cash flow generating segments i.e. the manufacturing segments. Hence, in this example, it would not be reasonable to allocate goodwill to the R&D segment for impairment assessment.

Likewise, restricting a CGU or a group of CGU to be not greater than an operating segment is not in line with the definition of CGU because an individual CGU may be greater than an operating segment (before aggregation).

**(3) Proposed amendment to IAS 39 *Financial Instruments: Recognition and Measurement***

- bifurcation of an embedded foreign currency derivative

We believe the wording of the draft amendment in paragraph AG33(d)(iii) is difficult to understand and we are concerned that it may not clarify the IASB requirements. We note that paragraph BC19 clearly explains the principle of the amendment and provides a more comprehensible text than AG33(d)(iii).

Hence, we recommend that paragraph AG33(d)(iii) be replaced with paragraph BC19.

If you need further clarification, please contact the undersigned at +603 2240 9200 or email at [nordin@masb.org.my](mailto:nordin@masb.org.my).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nordin', is written over a horizontal line.

Dr Nordin Mohd Zain  
Executive Director