

Comment Letter
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

November 3, 2008

Dear Sir / Madam

Exposure Draft of Proposed Improvements to IFRSs

The Special Task Force of the Financial Accounting Standards Committee (FASC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The enclosures are our comments on the exposure draft. The comments are those of the Special Task Force and do not necessarily represent official opinions of the FASC.

If you should have any question about our comments, please contact us. You may direct your inquiries either to myself (conrad@mail.ntpu.edu.tw) or to Ms. Chen (shining@ardf.org.tw).

Sincerely Yours,



Conrad C. Chang, Ph.D.
Chairman,
Financial Accounting Standards Committee,
Accounting Research and Development Foundation, Taiwan

Enclosures — Response to Exposure Draft Of Proposed Improvements to IFRSs

Question 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?

Response

Proposed amendments to IFRS 2

We agree with the proposal to amend paragraph 5 of IFRS 2 as described in the exposure draft to confirm that the contribution of a business on formation of a joint venture and a combination of entities or businesses under common control are not within the scope of IFRS 2.

In addition, there are many unresolved issues on the accounting for a combination of entities under common control in practice in Taiwan and other countries in the region, we would appreciate the IASB and the FASB could undertake a joint project to consider this issue as soon as possible to provide an explicit guidance for the accounting on this subject.

Proposed amendments to IFRS 5

We agree with the proposal to add paragraph 5A of IFRS 5 to clarify that IFRS 5 specifies the disclosures required in respect of non-current asset (or disposal groups) classified as held for sale or discontinued operations.

However, we suggest another issue as follows: according to IFRS 5.21 “An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this IFRS or previously in accordance with IAS 36 *Impairment of Assets*.” It is unclear how to figure out the amount that can be reversed as the non-current asset classified as held for sale that has been impaired in accordance with IAS 36 and this IFRS.

We hope that the proposed amendments to IFRS 5 can clarify this issue and provide an example to improve the practice.

Proposed amendments to IFRS 8

We agree with the proposal to amend IFRS 8. It will be consistent with paragraph 25.

Proposed amendments to IAS 7

We agree with the proposal to amend IAS 7 to state explicitly that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. In addition, we agree with the proposal to amend Basis for Conclusions of IFRS6. It would be a great help for entities when preparing the statement of cash flows.

Proposed amendments to IAS 18

We agree with the proposal to amend IAS 18. Our opinion on indicators to determine whether an entity is acting as a principal or as an agent is described in the response to Question 3.

Proposed amendments to IAS 36

We agree with the proposal to amend IAS 36.

Proposed amendments to IAS 38

We have some questions about the amendment of IAS 38 as described in the exposure draft. Amended paragraph 36 removed the example of an intangible asset acquired in a business combination together with “a tangible asset,” and indicated that if an intangible asset is separable only with another “intangible asset,” the acquirer may recognise the group of “intangible assets” as a single asset. However, identifiable assets include intangible assets and “tangible assets”. We wonder whether an intangible asset acquired in a business combination could be together with a tangible asset, and the group of assets could be recognized as a single asset. We expect the IASB can provide an explicit guidance for this issue.

Proposed amendments to IAS 39

We agree with the proposal to amend paragraph 2(g) of IAS 39 as described in the exposure draft. However, it needs to be clarified whether a forward contract is in the scope of IAS39 which results from an agreement entered into before the acquisition date between an acquirer and a vendor, in a business combination, to buy or sell an acquiree at a future date but not at a specified price or on a specified price basis.

We agree with the proposal to amend paragraph 11A of IAS 39 as described in the exposure draft.

We agree with the proposal to amend paragraph AG33(d) of IAS 39 as described

in the exposure draft. We recommend that those foreign currencies described in BC19(c) to (f) which are eligible for the revised AG33(d)(iii) be added into paragraph AG33(d)(iii) to make it more understandable.

On the other hand, we consider that it is not necessary to amend paragraph 97 and 100 of IAS 39 as described in the exposure draft. The hedged forecast cash flows, mentioned in BC12, occurring from 1 April 20X0 to 30 June 20X0 would not result in the recognition of a five-year interest-bearing instrument. They would only make the entity to recognise profit or loss while they incur, or to recognise a prepaid interest or unearned interest which would affect profit or loss from 1 April to 30 June. Therefore, the deferred gains or losses on the hedging instrument would be reclassified from equity to profit or loss over a period of three months beginning on 1 April 20X0 rather than over a period of five years beginning on 1 April 20X0. That means the original paragraph 97 and 100 of IAS 39 are more precise and can be applied correctly. So it does not need to be amended.

Question 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?

Response

We agree with the proposed transition provisions and effective date for the issue as described in the exposure draft, except for the proposed amendments to IAS39. The revised paragraph 2(g) and 11A of IAS 39 would change the accounting treatments of some contracts or transactions. Some of those contracts or transactions might “purposely” misinterpret the original IAS39 and use incorrect accounting treatments. For example, it is not reasonable, even in accordance with the original IAS39, to designate as a “financial” asset or “financial” liability at fair value through profit or loss a hybrid contract whose host contract is not a “financial” asset or “financial” liability. Accordingly, we suggest the proposed amendments to IAS39 to be applied retrospectively for comparability.

Question 3

The Board proposes to include in the Appendix of IAS 18 Revenue guidance on determining whether an entity is acting as a principal or as an agent. What indicators, if any, other than those considered by the Board should be included in the guidance proposed?

Response

We suggest that the following features or indicators that an entity is acting as a principal be considered:

- (a) The entity changes the product or performs part of the service.
- (b) The entity has discretion on supplier selection.
- (c) The entity is involved in the determination of product or service specifications.

We suggest that the following features or indicators that an entity is acting as an agent be considered:

- (a) The supplier (not the entity) is the primary obligor in the arrangement.
- (b) The supplier (and not the entity) has credit risk.