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THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

7 November 2008

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 their 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 on the proposed improvements are set out below.

Issue 1 – IFRS 2 Share-based Payment: Scope of IFRS 2 and revised IFRS 3

We agree with this proposed amendment.

Issue 2 – IFRS 5 Non-current assets held for sale and discontinued operations: disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations

We agree with this proposed amendment.

Issue 3 – IFRS 8 Operating Segments: Disclosure of information about segment assets

We agree with the proposed amendment – the drafting of paragraph BC35 currently contradicts the principle set out in the main body of the standard which requires that only segment assets that are used by the chief operating decision-maker should be reported.

Issue 4 – IAS 7 Statement of Cash Flows: Classification of expenditures on unrecognised assets

We believe that there are arguments both for treating expenditure on unrecognised assets as cash flows from operating activities and from investing activities. We understand that the Board's proposed treatment is in line with the proposals in the discussion paper on financial statement presentation, but it may be premature to make this change before those proposals are finalised.

Issue 5 – IAS 18 Revenue: Determining whether an entity is acting as a principal or as an agent

We agree with this proposed amendment. The indicators included are adequate.

Issue 6 – IAS 36 Impairment of Assets: Unit of accounting for goodwill impairment

We agree with this proposed amendment.

Issue 7 – IAS 38 Intangible Assets: Additional consequential amendments arising from revised IFRS 3

We agree with this proposed amendment which is necessary to ensure consistency with revised IFRS 3.

Issue 8 – IAS 38 Intangible Assets: Measuring the fair value of an intangible asset acquired in a business combination

We agree with the purpose of this amendment, but do not believe that it is necessary – we do not think that the existing standard is unclear in this respect. The IASB should guard against adding detail to standards by clarifying what is already clear.

Issue 9 – IAS 39 Financial Instruments: Recognition and Measurement: Scope exemption of business combination contracts

We agree with this proposed amendment. It is appropriate that the scope exemption has not been extended to apply to contracts to acquire an interest in an associate.

Issue 10 - IAS 39 Financial Instruments: Application of the fair value option

We agree with this proposed amendment.

Issue 11 - IAS 39 Financial Instruments: Cash flow hedge accounting

We agree with this proposed amendment.

Issue 12 - IAS 39 Financial Instruments: Bifurcation of an embedded foreign currency derivative

We do not think that this proposed amendment adequately clarifies the issue of determining when a foreign currency is closely related to the host contract. The reference in paragraph AG33(d)(iii) to the definition of a functional currency does not seem wide enough to cover all the situations described in paragraph BC19. The standard needs a general principle to define when a currency is closely related – therefore we would not recommend making any changes in the annual improvement process, and wider changes should be considered as part of the IASB's financial instruments project.

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

A handwritten signature in black ink, appearing to read 'Amy Hutchinson', followed by a long horizontal flourish.

AMY HUTCHINSON

Assistant Director, Accounting and Auditing

Secretary to the Accounting Standards Committee