The South African Institute of Chartered Accountants

11 January 2008

International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

Email: CommentLetters@iasb.org

Dear Sir/Madam

SAICA SUBMISSION ON EXPOSURE DRAFT OF *PROPOSED IMPROVEMENTS TO INTERNATIONAL REPORTING STANDARDS – FIRST ANNUAL IMPROVEMENTS PROJECT*

In response to your request for comments on the exposure draft on *Proposed Improvements to International Reporting Standards – First Annual Improvements Project*, attached please find the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). Please note that SAICA is not only a professional body, but is also secretariat for the Accounting Practices Board (APB), the official accounting standard setting body in South Africa.

This submission includes comments from the Accounting Practices Committee (APC) of SAICA, the technical advisory body to the APB.

We thank you for the opportunity to provide comments on this document. We are supportive of the Board's annual improvements project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

Sue Ludolph
Project Director – Accounting

cc: Moses Kgosana (Chairman of the Accounting Practices Board)
Prof Alex Watson (Chairman of the Accounting Practices Committee)

INVESTOR IN PEOPLE

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SPECIFIC COMMENTS ON THE QUESTIONS RAISED

PROPOSED AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARD 1 - *FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS*

Question 1

Do you agree with the Board's proposed restructuring of IFRS 1? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARD 5 – *NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS*

Question 2

Do you agree with the proposal to add paragraph 8A to IFRS 5 to clarify that assets and liabilities of a subsidiary should be classified as held for sale if the parent has a sale plan involving loss of control of the subsidiary? If not, why?

In light of the revised IFRS 3 – *Business Combinations*, we agree in principle with the proposed amendment as far as the balance sheet presentation is concerned. However we are concerned that treating the net profit generated by the subsidiary as a discontinued operation in the income statement might be misleading, as the parent could still have a remaining interest in the subsidiary after the sale that will generate future net profit and cash flows. We propose that the 'profit from operations' in the income statement should still include the profit generated by the remaining interest in the subsidiary and that the net profit generated by the portion being sold should be classified as 'discontinued'.

We suggest that the wording in BC3 should be amended to clarify how the decision to amend IFRS 5 is consistent with the requirements in IFRS 5 that the investment in the subsidiary will be recovered principally through sale. BC3 states, "*The Board believes that, under the sale plan described above, the controlling interest of the subsidiary is, in substance, exchanged for a non-controlling interest*." We believe that it should state, 'the total interest in the subsidiary is, in substance, exchanged for a non-controlling interest plus the proceeds of the sale.'

Consequential amendment from IAS 41

Point-of-sale costs

The Board also proposes to amend paragraph 5(e) of IFRS 5 as a consequence of its proposed amendments to IAS 41 Agriculture relating to the use of the term 'point-of-sale *costs'. The invitation to comment and the basis for the Board's proposal are included in the IAS 41 chapter in this exposure draft.*

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARD 7 – *FINANCIAL INSTRUMENTS: DISCLOSURES*

Question 3

The Board proposes to amend paragraph IG13 of the guidance on implementing IFRS 7 Financial Instruments: Disclosures to resolve the potential conflict with IAS 1. Do you agree with the proposal? If not, why?

We agree with this amendment proposed in the exposure draft.

Consequential amendment from IAS 28 and IAS 31

Disclosure requirements for investments in associates and interests in jointly controlled entities accounted for at fair value through profit or loss

The Board also proposes to amend paragraph 3 of IFRS 7 as a consequence of its proposed amendments to IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures relating to the disclosure requirements for investments in associates and interests in jointly controlled entities accounted for at fair value through profit or loss. The invitations to comment and the bases for the Board's proposals are included in the IAS 28 and IAS 31 chapters in this exposure draft.

Please refer to the answers provided to Questions 22 and 25.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 1 – *PRESENTATION OF FINANCIAL STATEMENTS*

Question 4

Do you agree with the proposal to require an entity that cannot make an unreserved statement of compliance with IFRSs to describe how its financial statements would have been different if prepared in full compliance with IFRSs? If not, why?

We agree that the proposed amendment aims to provide useful information to users.

However, we are of the opinion that the objective of the required disclosures will not be met as entities not complying with IFRS (as issued by the IASB) will not be required to apply these requirements, unless these requirements happen to be included in the framework with which the entity is claiming compliance.

Another concern is that the amendment may motivate preparers not to comply with all aspects of IFRS and only to provide the disclosures as required by IAS 1. This will be an easy alternative as paragraph 16A(b) only requires the preparer to describe, and not quantify, the differences.

Question 5

Do you agree with the proposal to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current? If not, why?

We agree with the proposal. We also believe that this amendment should be carried through to paragraphs 69(a) and 69(c) in order to achieve consistency.

We propose the following amendments to the wording:

Paragraph 69(a) – *"it expects to settle the liability <u>by the transfer of cash or other assets</u> in its normal operating cycle"*

Paragraph 69(c) – *"the liability is due to be settled <u>by the transfer of cash or other assets</u> within 12 months after the reporting period"*.

Question 6

Do you agree with the proposal to amend the examples in paragraphs 68 and 71 of IAS 1 to remove the potential implication that financial assets and financial liabilities that are classified as held for trading in accordance with IAS 39 are required to be presented as current? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 8 – *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

Question 7

Do you agree with the proposal to amend paragraphs 7, 9 and 11 of IAS 8 to clarify the status of implementation guidance? If not, why?

We support the clarification provided by the amendment.

However, we propose rather than deleting the term *"guidance"* in paragraph 11(a) it should state 'and application guidance' in order to provide greater clarity on the status of application guidance.

PROPOSED AMENDMENT TO INTERNATIONAL ACCOUNTING STANDARD 10 – *EVENTS AFTER THE REPORTING PERIOD*

Question 8

Do you agree with the proposal to amend paragraph 13 of IAS 10 to clarify why a dividend declared after the reporting period does not result in the recognition of a liability at the end of the reporting period? If not, why?

We agree with this amendment proposed in the exposure draft.

However, we propose that the reference made to *"time"* in paragraph 13 should be changed to 'date' as this will be more consistent with terminology currently used in other standards.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 16 – *PROPERTY, PLANT AND EQUIPMENT*

Question 9

Should the definition of recoverable amount in IAS 16 be amended to remove the perceived inconsistency with 'recoverable amount' used in other IFRSs? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 10

Do you agree with the proposal to amend paragraph 68 of IAS 16 and paragraph 14 of IAS 7? If not, why?

While there is support for the proposed amendment, we believe that it would be useful if the Board explained why assets held for rental which are routinely sold should be treated differently from other assets held for use and which are routinely sold, particularly as IFRS 5 already deals with the accounting for the disposal of all such assets. IAS 16 should set out the underlying principle for reclassifications.

Consequential amendment from IAS 40

Property under construction or development for future use as investment property

The Board also proposes to amend IAS 16 as a consequence of its proposed amendments to IAS 40 Investment Property relating to property under construction or development for future use as investment property. The invitation to comment and the basis for the Board's proposal are included in the IAS 40 chapter in this exposure draft.

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 17 – *LEASES*

Question 11

Do you agree with the proposal to amend paragraphs 14 and 15 of IAS 17 to eliminate a perceived inconsistency between the specific classification guidance for leases of land and buildings and the general lease classification guidance in IAS 17? If not, why?

We do not believe that this amendment should be part of the annual improvements project given the Board's previous conclusions and the IFRIC's reasons for rejections on the issue. The example on the leasing of land and buildings currently in IAS 17 – *Leases*, provides useful guidance and if removed might have a significant impact on the current accounting of these transactions. We believe that this should be considered as part of the Board's project on leases.

Question 12

Do you agree with the proposal that contingent rent relating to an operating lease should be recognised as incurred? If not, why?

Yes, we do agree that contingent rent should be recognised as incurred

We do not agree with the comment in the Basis for Conclusions (BC4) that the requirements of the standard are ambiguous. Contingent rent is defined as a *"portion of the lease payments"* and IAS 17: 33 requires lease payments to *"be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit"*. This requires contingent rent to be straight-lined. We believe that the existing requirements are clear; it is just not possible to apply them. Hence, we welcome the proposed amendment.

PROPOSED AMENDMENT TO THE GUIDANCE ON INTERNATIONAL ACCOUNTING STANDARD 18 – *REVENUE*

Question 13

Do you agree with the proposed amendment to the guidance on IAS 18 to explain that the definition of the transaction costs to be applied to the accounting for financial asset origination fees are those defined in IAS 39? If not, why?

We agree with the proposed amendment.

However, it is suggested that the Board clarify in IAS 18 that transaction costs are deferred by including them in the initial measurement of the financial instrument in accordance with IAS 39.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 19 – *EMPLOYEE BENEFITS*

Question 14(a)

Do you agree that IAS 19 should be amended to clarify that when a plan amendment reduces benefits for future service, the reduction relating to future service is a curtailment and any reduction relating to past service is negative past service cost? If not, why?

While we agree in principle with the proposed amendment, it would be useful if guidance was provided to distinguish between reductions relating to future service from reductions relating to past service. This is because it is not clear what would be regarded as a reduction relating to future service. For example, it is unclear to us how an amendment that reduces a final salary plan from 2% of final salary for each year of service to 1%, should be treated. While it appears that both past and future service are affected, we believe that the adjustment to the liability is in respect of the service rendered to date, and that this should be treated as a negative past service cost. Similarly, if a final salary plan was amended by extending the date of retirement, we believe that the adjustment is in respect of the service rendered to date and should be treated as a negative past service cost.

We also propose that the Board update the example illustrating paragraph 115 to illustrate how an amendment should be split between future and past service.

Question 14(b)

Do you agree that the Board should delete the following sentence from paragraph 111 of IAS 19: 'An event is material enough to qualify as a curtailment if the recognition of a curtailment gain or loss would have a material effect on the financial statements.'? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 15

Do you agree with the proposal to amend the definition of return on plan assets in paragraph 7 of IAS 19 to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the measurement of the defined benefit obligation? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 16

Do you agree with the proposal to replace in IAS 19 the term 'fall due' with the notion of employee entitlement in the definitions of short-term employee benefits and other long-term employee benefits? If not, why?

We agree with the objective of the proposal, however we are concerned that the revised wording is ambiguous. The word 'entitled' could be interpreted in different ways.

The definition of short-term employee benefits could be interpreted incorrectly to include the following type of employee benefit: An employee earns a bonus based on service in year one, the payment of which is deferred to year 3 (and not subject to continued employment). It could be said that the employee is 'entitled' to the bonus at the end of year one since the passage of time is a certainty and there is nothing else which could result in the bonus being forfeited. However, based on IAS 19 paragraph 8(c) and IAS 19 paragraph 126(d), it would appear that since the amount is only payable more than 12 months after the end of the year, the bonus should be classified as an 'other long-term employee benefit.'

BC4 is also unclear. It states that, *"… the timing of the employees entitlement to the benefit rather than the expected timing of settlement that is the critical factor in classifying the benefit."* Based on this wording, the bonus referred to in our example should be treated as a short-term employee benefit because the timing of settlement would be ignored and the bonus cannot be forfeited, therefore the employee is 'entitled' to the bonus at the end of year one.

We recommend that the focus be on whether the entity could be required to settle the amount within the next twelve months and suggest amending the wording as follows:

"Short-term employee benefits are employee benefits (other than termination benefits) ~~to which the employee becomes entitled fall due wholly~~ *which the entity is, or could be, required to settle* within twelve months after the end of the period in which the employee renders the related service"

"Other long-term employee benefits are employee benefits (other than post employment benefits and termination benefits) ~~to which the employee does not become entitled do not fall due wholly~~ *which the entity cannot be required to settle* within twelve months after the end of the period in which the employee renders the related service."

Question 17

Should the reference in IAS 19 to recognising contingent liabilities be removed? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 20 – *ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE*

Question 18

Do you agree with the proposal to conform terminology used by IAS 20 to the equivalent defined or more widely used terms? If not, why?

We agree with this amendment proposed in the exposure draft.

However, we do note that there is some inconsistency between the wording in IAS 20.13 and IAS 20.14 (a). In paragraph 13 the words, *"recognised outside profit or loss"* are used, whereas paragraph 14 (a) refers to *"recognised directly in equity"*. It is not clear why different words were used or whether there is any difference in their meaning. Does 'recognised outside profit or loss' mean recognition in the statement of comprehensive income? Does 'recognised directly in equity' mean recognition in the statement of changes in equity?

Question 19

Do you agree with the proposed amendments to IAS 20 to clarify that the benefit of a loan received from a government with a below-market rate of interest should be quantified by the imputation of interest in accordance with IAS 39? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENT TO INTERNATIONAL ACCOUNTING STANDARD 23 – *BORROWING COSTS*

Question 20

Do you agree with the proposal to amend paragraph 6 of IAS 23 to refer to the guidance in IAS 39 Financial Instruments: Recognition and Measurement relating to effective interest rate when describing the components of borrowing costs? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENT TO INTERNATIONAL ACCOUNTING STANDARD 27 – *CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS*

Question 21

Do you agree with the proposal to require investments in subsidiaries that are accounted for in accordance with IAS 39 in the parent's separate financial statements to continue to *be accounted for on that basis when classified as held for sale (or included in a disposal group that is classified as held for sale)? If not, why?*

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 28 – *INVESTMENTS IN ASSOCIATES*

Question 22

Do you agree with the proposal to clarify the disclosures required of an investor in an associate that accounts for its interest in the associate at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?

We do not agree with the proposed amendment because the Board has not explained why they believe the disclosures in IAS 28 paragraph 37(f) are relevant given that the investments are treated as financial instruments under IAS 39. We question why the disclosures in IFRS 7 are not sufficient.

Question 23

Do you agree with the proposal to amend paragraph 33 of IAS 28 to clarify the circumstances in which an impairment charge against an investment in an associate should be reversed? If not, why?

While we agree with the proposed amendment**,** it still remains unclear as to how paragraph 23 interacts with the amended paragraph 33 with regard to goodwill impairments.

Paragraph 23 states, *"Appropriate adjustments to the investor's share of the associate's profits or losses after acquisition are also made to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the investor's share of the associate's profits or losses after acquisition are made for impairment losses recognised by the associate, such as for goodwill or property, plant and equipment."* The reference in paragraph 23 to goodwill impairment relates only to goodwill recognised on the balance sheet of the associate, and not to the goodwill included in the investment in associate. It is not clear why there would be adjustments to the investor's share of a goodwill impairment loss recognised by the associate.

It would be useful if the Board clarified whether there is any consideration of the impairment of goodwill included in the investment in the associate under paragraph 23 or whether it is only considered under paragraph 33.

We have provided an example to highlight the uncertainty:

Assume that the associate does not have any goodwill recognised on its balance sheet and that it has only one cash generating unit ('CGU'). Assume that the recoverable amount of the CGU is CU100, while the carrying amount is CU110. On this basis, the associate would recognise an impairment loss of CU10. Assume that the investor has a 25% interest in the associate. The carrying value of the investment in associate includes goodwill of CU5. Assume that no fair value adjustments were required to the identifiable net assets of the associate at acquisition date. After recognising the investor's share of the associate's impairment loss, being 25% of CU 10, the carrying amount of the investment in associate is CU28.

What is unclear is whether the investor has finished applying paragraph 23 and that it moves on to apply the amended paragraph 33. This is because the associate has not recognised an impairment loss on goodwill because it does not have goodwill on its balance sheet. Assuming that the amended paragraph 33 is now applied – the investor would compare the carrying amount of its investment in associate of CU28 to the recoverable amount of CU25 (which is 25% of CU100) and would recognise an impairment loss of CU3, which could be reversed in future.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 29 – *FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES*

Question 24

Do you agree with the proposal to update the description of historical cost financial statements in paragraph 6 of IAS 29 and to conform terminology in IAS 29 to the equivalent defined or more widely used terms? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENT TO INTERNATIONAL ACCOUNTING STANDARD 31 – *INTERESTS IN JOINT VENTURES*

Question 25

Do you agree with the proposal to clarify the disclosures required of a venturer in a jointly controlled entity that accounts for its interest in the jointly controlled entity at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?

We do not agree with the proposed amendment because the Board has not explained why they believe the disclosures in IAS 31 paragraphs 55 and 56 are relevant given that the investments are treated as financial instruments under IAS 39. We question why the disclosures in IFRS 7 are not sufficient.

PROPOSED AMENDMENT TO INTERNATIONAL ACCOUNTING STANDARD 34 – *INTERIM FINANCIAL REPORTING*

Question 26

Do you agree with the proposal to amend paragraph 11 of IAS 34 to require the presentation of basic and diluted earnings per share only when the entity is within the scope of IAS 33? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 36 – *IMPAIRMENT OF ASSETS*

Question 27

Do you agree with the proposal to amend paragraph 134(e) of IAS 36 to require the same disclosures to be given for fair value less costs to sell as are required for value in use when discounted cash flows are used to calculate fair value less costs to sell? If not, why?

We agree with this amendment proposed in the exposure draft.

However, we believe it would be more appropriate for the Board to set out the disclosure requirements rather than simply requiring the disclosures in paragraph 134(d) because these are based on a value in use calculation. Paragraph 134(d) refers to cash flow projections for the period covered by the most recent budgets/forecasts approved by management. We believe it would be more appropriate for the wording to be amended to be consistent with a fair value less cost to sell calculation.

Consequential amendment from IAS 41

Point-of-sale costs

The Board also proposes to amend paragraphs 2 and 5 of IAS 36 as a consequence of its proposed amendments to IAS 41 – *Agriculture* relating to the use of the term ‘point-of-sale costs’. The invitation to comment and the basis for the Board’s proposal are included in the IAS 41 chapter in this exposure draft.

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 38 – *INTANGIBLE ASSETS*

Question 28(a)

Do you agree that IAS 38 should emphasise that an entity should recognise expenditure on an intangible item as an expense when it has access to the goods or has received the services? If not, why?

We agree with this amendment proposed in the exposure draft.

We do however believe that it would be useful if, either in the main text of the standard or in the Basis for Conclusions, there was a discussion about the fact that there can be no asset once the advertising goods or services have been received because there is no alternative economic benefit to be derived from the items. Many preparers of financial statements want to know why consumables, such as stationery, are recognised as an asset until consumed, but the proposed clarification requires catalogues and brochures to be expensed before they are distributed to customers. It would be useful if the standard explained that before the stationery is used, it has an alternative economic benefit – it can be sold, therefore, it can be recognised as an asset. However, the printed catalogues and brochures have no alternative economic benefit, therefore, they do not meet the definition of an asset.

Paragraph 69 states that, *"In the case of the supply of goods, the entity recognises such expenditure as an expense when it has access to those goods"*. It is not clear what is meant by 'access to those goods'. We recommend that the wording be amended to state that the expense should be recognised when risks and rewards of ownership of those goods have passed to the entity.

Question 28(b)

Do you agree that paragraph 70 of IAS 38 should be amended to allow an entity to recognise a prepayment only until it has access to the related goods or has received the related services? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 29

Do you agree with the proposal to remove the last sentence of paragraph 98 of IAS 38 regarding the amortisation method used for intangible assets? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 39 – *FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT*

Question 30

Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 31(a)

Do you agree with the proposal to amend IAS 39 to clarify the definitions of a financial instrument classified as held for trading? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 31(b)

Do you agree with the proposal to insert in IAS 39 paragraph 50A to clarify the changes in circumstances that are not reclassifications into or out of the fair value through profit or loss category? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 32

Do you agree with the proposal to amend paragraph 73 of IAS 39 to remove the references to segments and segment reporting? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 33

Do you agree with the proposal to amend paragraph AG8 of IAS 39 to clarify that the revised effective interest rate calculated in accordance with paragraph 92 should be used, when applicable, to remeasure the financial instrument in accordance with paragraph AG8? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 34

Do you agree with the proposal to amend paragraph AG30(g) of IAS 39 to clarify that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, as described in paragraph AG33(a), are closely related to the host debt contract? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 40 – *INVESTMENT PROPERTY*

Question 35

The exposure draft proposes to include property under construction or development for future use as an investment property within the scope of IAS 40. Do you agree with the proposal? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 36

Do you agree with the proposal to conform terminology used in paragraph 31 of IAS 40 to the terminology used in IAS 8? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 37

Should paragraph 50(d) of IAS 40 be amended to clarify the accounting for investment property held under a lease? If not, why?

We agree with this amendment proposed in the exposure draft.

PROPOSED AMENDMENTS TO INTERNATIONAL ACCOUNTING STANDARD 41 – *AGRICULTURE*

Question 38

Do you agree with the proposal to replace the terms 'point-of-sale costs' and 'estimated point-of-sale costs' in IAS 41 with 'costs to sell'? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 39

Do you agree with the proposed amendment to IAS 41 to permit either a pre-tax or a post-tax discount rate to be used according to the valuation methodology used to determine fair value? If not, why?

We agree with this amendment proposed in the exposure draft.

We recommend that a similar amendment be made to IAS 36 – *Impairment of Assets*.

Question 40

Do you agree with the proposal to remove the exclusion of 'additional biological transformation' from paragraph 21 of IAS 41? If not, why?

We agree with this amendment proposed in the exposure draft.

Question 41

Do you agree with the proposed amendments to the examples in paragraph 4 of IAS 41? If not, why?

We agree with this amendment proposed in the exposure draft.

Consequential amendment from IAS 20: consistency of terminology with other IFRSs

The Board also proposes to amend IAS 41 as a consequence of its proposed amendments to IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance* relating to the updating of the terminology used in IAS 20. The invitation to comment and the basis for the Board's proposal are included in the IAS 20 chapter in this exposure draft.

We agree with this amendment proposed in the exposure draft.

OTHER COMMENTS

- We notice that a new paragraph has been added to IAS 17. The new paragraph is 19A, which reads, *"A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided."* There is no explanation in the Basis for Conclusions for this new addition. While we agree with this new paragraph, we question why it is included under the heading, 'Classification of Leases'. We would also welcome greater clarity in whether this only applies to payments made to the lessor, or whether it would include payments made to other parties, such as the previous lessee.

- The exposure draft proposes that if an amendment is early adopted, all the amendments in this first annual improvements project and IAS 1 – *Presentation of Financial Statements* (as revised in 2007) should be applied for that earlier period. No explanation has been provided for this proposal. We do not support this proposal. We believe that amended standards should be permitted to be adopted early on a stand alone basis, unless there are consequential amendments to other standards, in which case those other standards should also be required to be applied from that earlier date. For example, if an entity wanted to early adopt IAS 16 revised, we do not think it should be necessary for that entity to early adopt all the other unrelated amendments as well. Similarly, we do not believe it is necessary to require the early adoption of IAS 1 revised either.

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