Mr. Robert Garnett,
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH
21 June 2009

Dear IFRIC Member,

Tentative Agenda Decision: IAS 28 Impairment of Associates in Separate Financial Statements

The IFRIC has received a request to clarify whether to follow IAS 36 or IAS 39 in relation to investment in associates in separate financial statements, where such investment either carried at cost or as per IAS 39 (classified it as Available for Sale).

While deliberating on the request, IFRIC has concluded that where an investment is measured as per IAS 39 then the requirement of IAS 39 would be applicable for assessment of impairment and with respect to cost measurement, IFRIC consider the matter is not dealt appropriately in the standard and require clarification which could possibly be achieved through Annual Improvements issued by IASB.

I agree with IFRIC conclusion that with respect to associates measured as per IAS 39 the requirement of IAS 39 should be considered for assessment of impairment. However, IFRIC would appreciate the fact that Investment in associates / subsidiary is different from normal trading investments.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the fair value of securities that are quoted in an active market is their quoted price. IAS 39 precludes the addition of a premium (or deduction of a discount) based on the size of the holding.

In the context of its project on Fair Value Measurement, in January 2009 the IASB proposed that the unit of measure is the **individual instrument** in the context of the fair value of financial instruments; therefore fair value should exclude discounts or premiums as they do not apply to the individual instrument.

However, currently this reasoning is not stated explicitly in IAS 39. Rather, BC97 refers to the quoted price being the best evidence of fair value; achieving consistency across entities; and excluding entity-specific factors, which are not part of the definition of fair [market] value.

As per paragraph BC 66 of IAS 27 refers to **economic value**, which presumably the IASB intended to have a broader meaning than fair value.

The IFRIC decision to follow IAS 39 for impairment would create difficulties for entities as it would result in overstatement of impairment which would not eventually materialized to that extent.

In this regard I would recommend IFRIC to reconsider its decision or perhaps ask Board to resolve by making measurement exceptions in case of associates or subsidiaries by allowing inclusion of premium for determination of impairment if IAS 39 has to follow for determination of impairment of associates or subsidiaries in separate financial statements where such investments is carried at fair value in accordance with the requirement of IAS 39.

If you have any questions concerning my comment feel free to contact me.

Yours sincerely,

Muhammad Ali