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International Financial Reporting
Interpretations Committee (IFRIC)
Mr Robert Garnett
30 Cannon Street
London EC4M 6XH

Berlin, 11. August 2010

United Kingdom

Dear Bob

Comment Letter on IFRIC's Agenda Decision 'IAS 21 *The Effects of Changes in Foreign Exchange Rates – Repayments of Investments*' published in July 2010

During its meeting in July 2009 the IFRIC discussed a request for guidance on the reclassification of the foreign currency translation reserve (FCTR) when a repayment of a foreign investment occurs. The request specifically sought guidance on whether a repayment of an investment is considered to be an absolute reduction or a proportionate reduction.

Although the Committee considers that different interpretations of this issue could lead to diversity in practice, it tentatively decided

- neither to add this issue to its agenda
- nor to recommend the Board to address this through Annual Improvements

because it did not think it would be able to reach a consensus on the issue on a timely basis.

While we acknowledge that the Committee may not be able to comprehensively address this issue and reach a consensus on a timely basis, we – in the light of the practical importance of the issue – ask the Committee to reconsider its tentative decision not to recommend the issue for inclusion in the *Annual Improvements Process* (AIP). Through AIP it could at least be strived for a further clarification of the guidance in IAS 21.48-49. That these paragraphs are partly unclear and ambiguous has been proved by the Committee's discussions of the issue.

In case the Committee will not recommend to the Board addressing this issue through AIP, we ask the Committee to at least add some more elaboration to the wording of the final Agenda Decision on issues which appear to be rather straight forward in the given context. By doing so some of the most pressing issues could be



addressed and would help to avoid different interpretations leading to diversity in practice.

Specifically we suggest making reference in the agenda decision to the guidance as given in the first sentence of IAS 21.49. As an example for an issue to be rather straight forward in the given context and to be elaborated in the final Agenda Decision's wording you may refer to an instance in which the absolute interest in an entity's net investment in a foreign operation has been reduced to substantially nil due to a liquidation (with the remaining net assets being transferred to the investors), while no reduction in the proportionate equity ownership interest in this foreign operation has yet occurred. Referring to IAS 21.49 sentence 1 and considering the fact that this foreign operation is 'not operating anymore' we consider it necessary to reclassify the FCTR to profit and loss in such a situation.

Other such rather clear examples, which will find the IFRIC's consensus, should be added to the wording of the final Agenda Decision as well, since it will help to avoid different interpretations.

If you would like further clarification of the issue set out in this letter, please do not hesitate to contact me.

With best regards