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Mr Wayne Upton
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London
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15 August 2011

Dear Mr Upton,

Tentative agenda decision: IAS 27: Consolidated and Separate Financial Statements – Group reorganisations in separate financial statements

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretation Committee's ("the Committee") publication in the July 2011 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda requests for Interpretations of IAS 27, *Consolidated and Separate Financial Statements*, with respect to the treatment of group reorganisations in separate financial statements.

We agree with the Committee's tentative decision not to add this item onto its agenda but wording in the tentative agenda decision requires revision for the purposes of clarity and to avoid unnecessary restrictions on an entity's accounting policy choices in this area. Specifically, we note the following.

- The Committee's agenda decisions should make it clear that the treatment detailed in paragraphs 38B and 38C of IAS 27 (amended 2008) or paragraphs 13 and 14 of IAS 27 (revised 2011) is a requirement, not guidance, for group reorganisations which meet the relevant criteria.
- The Board made it clear in BC66Q of IAS 27 (amended 2008) that in amending IAS 27 it did not consider the accounting for other types of reorganisations or common control transactions more broadly and that it would expect entities to continue to apply their accounting policies to such transactions (this position was reiterated in BC27 of IAS 27 (revised 2011)).
- The Committee notes in its tentative agenda decision on business combinations involving newly formed entities that the Board has planned to address accounting for business combinations under common control transactions at a later stage and that it is too broad an issue to be addressed through an interpretation. This is also the case for group reorganisations.

Accordingly, we recommend that the tentative agenda decision be clarified as follows:

"The Committee noted that the requirements of ~~guidance in~~ paragraphs 38B and 38C of IAS 27 (amended 28) or paragraphs 13 and 14 of IAS 27 (revised 2011) apply only when ~~requires that~~ the assets and liabilities of the new group and the original group (or original entity) are the same before and after the reorganisation. The Committee observed that this condition is not met in reorganisations that result in the new intermediate parent having more than one subsidiary and therefore the requirements of these paragraphs in IAS 27 do not apply to such reorganisations. As noted in paragraph BC66Q of IAS 27 (amended 2008) or paragraph BC27 of IAS 27 (revised 2011), the Committee expects that entities would account for such reorganisations in accordance with their accounting policies for such transactions. ~~In addition, the Committee noted that the guidance in paragraphs 38B and 38C of IAS 27 (amended 2008) or paragraphs 13 and 14 of IAS 27 (revised 2011) cannot be applied to such reorganisations by analogy because this guidance is an exception to the normal basis for determining the cost of an investment in a subsidiary under paragraph 38(a) of IAS 27 (amended 2008) or paragraph 10(a) of IAS 27 (revised 2011).~~ The Committee thinks that the accounting for business combinations under common control is too broad to be addressed through an interpretation and that the Board has planned to address the accounting for business combinations under common control at a later stage. Consequently, the Committee decided not to add this issue to its agenda."

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely,

Veronica Poole
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IFRS Technical