



THE ASSOCIATION
OF INTERNATIONAL
ACCOUNTANTS

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Response to IASB Exposure Draft of Proposed Amendments to International Financial Reporting Standards

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Association of International Accountants

Staithe 3, The Watermark, Metro Riverside,
Newcastle upon Tyne, NE11 9SN, United Kingdom

T: +44 (0) 191 493 0277 F: +44 (0)191 493 0278 E: aia@aiaworldwide.com W: www.aiaworldwide.com

Company number 00264086. The AIA is a Recognised Qualifying Body for company auditors in the UK.

Introduction

These comments are submitted by the Association of International Accountants, with input from a technical committee and members of the Association. AIA would like to thank Mr Robert Greenwood for his input in this consultation response.

About AIA

AIA is one of six statutorily Recognised Qualifying Bodies (RQBs) in the United Kingdom for statutory auditors under the Companies Act 2006. The AIA professional qualification is recognised throughout the European Union and in other major financial centres around the world.

The Association promotes and supports the advancement of the accountancy profession both in the UK and internationally. Whilst supporting international accounting and auditing standards the AIA seeks to ensure that its examinations and membership requirements support the development of the accountancy profession in the countries in which it examines.

The AIA's examinations for membership have been held half-yearly on a world wide basis for 80 years. The examinations are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic Accounting. As an RQB under the UK Companies Act 2006 the AIA offers to students who take its examinations commencing in or after June 1991 and go on as members to complete special audit-based practical training under the AIA, an accountancy qualification which is recognised by the UK Government under that Act as a recognised professional qualification for statutory auditors in the UK.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

Opening Comments

AIA welcomes the opportunity to respond to the IASB's proposed amendments to deal with 12 issues affecting 8 standards by removing inconsistencies and clarifying the wording in these standards.

AIA responses to the three questions are addressed through each proposed amendment.

Amendment 1: IFRS 2 Share-based payment

AIA agrees with the proposed amendment to paragraph 5 of IFRS 2 to reflect the intention that the contribution of a business on formation of a joint venture and common control transactions are not within the scope of IFRS 2.

Amendment 2: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

AIA agrees with the proposal to amend IFRS 5 to clarify that IFRS 5, and other IFRSs, such as IFRS 7 that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations, set out all the disclosures required in respect of those assets or operations.

Amendment 3: IFRS 8 Operating Segments

AIA agrees with the IASB proposal to clarify that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the Chief Operating Decision Maker.

Amendment 4: IAS 7 Statement of Cash Flows

AIA agrees with the proposed amendment to explicitly state in IAS 7 that only an expenditure that results in a recognised asset can be classified as a cash flow from an investing activity.

Amendment 5: IAS 18 Revenue

The AIA agrees with the IASB proposal to provide guidance to determine if an entity is acting as a principal or as an agent by considering whether the entity has primary

responsibility for providing the good or service, whether the entity has inventory risk, whether the entity has discretion in establishing prices and whether the entity bears the credit risk.

However the AIA believe that this clarification should not accompany the standard as an appendix but should form part of the standard.

Amendment 6: IAS 36 Impairment of Assets

AIA agrees with the IASB proposed amendment to clarify that the largest unit permitted for allocating goodwill acquired in a business combination for the purpose of impairment testing is the operating segment as defined in IFRS 8 before the aggregating for reporting purposes.

Amendments 7 and 8: IAS 38 Intangible Assets

AIA agrees with the IASB proposal to clarify the recognition and measurement of an intangible asset acquired in a business combination that, if an intangible asset is identifiable with another intangible asset with similar lives the group of intangible assets can be recognised as a single asset; and that an intangible asset acquired in a business combination that is not traded in active markets may be fair valued by estimating the hypothetical costs avoided in licensing, recreating or replacing by owning the asset.

Amendments 9, 10, 11 and 12: IAS 39 Financial Instruments: Recognition and Measurement

AIA agrees with the IASB proposal that the scope exemption for contracts between an acquirer and a vendor should apply only to binding forward contracts entered into before the acquirer obtains control at a specified price or on a specified basis.

AIA agrees that the proposed amendment to designate hybrid contracts containing embedded derivatives as financial assets and liabilities through profit and loss applies only to financial instruments within the scope of IAS 39.

AIA agrees with the proposed amendment to clarify when gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument should be reclassified from equity to profit or loss in the period that the hedged forecast cash flows affect profit or loss.

As AIA is not clear what it understands by the meaning of an economic environment, we do not support the proposed amendment because we do not believe the six examples of a functional currency outlined in IAS 21 clarifies whether embedded foreign currency derivatives, integral to the arrangement and hence bearing a close economic relationship to the terms of the contract, would exempt such from achieving a desired accounting result or for speculative purposes.