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## Memo

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### FirstRand Banking Group

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### Group Finance : Technical Accounting

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To: International Accounting Standards Board  
From: Technical Accounting  
Date: 7 November 2008

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## COMMENT LETTER ON THE EXPOSURE DRAFT OF PROPOSED IMPROVEMENTS TO IFRSs

### 1 Introduction

We support the annual improvements projects and appreciate the efforts made by the Board to continually improve the quality of financial reporting standards. Please find below our responses to the questions as requested in the invitation to comment.

### 2 Responses to general and specific questions (applicable to all amendments)

#### 2.1 IFRS 2 Share-based payment ("IFRS 2") – the scope of IFRS 2 and revised IFRS 3 Business Combinations ("IFRS 3")

##### Question 1

*Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the Board's proposed amendment to clarify that IFRS 2 does not apply to the contribution of a business on the formation of a joint venture or in common control transactions.

##### Question 2

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

## **2.2 IFRS 5 Non-current Assets held for Sale and Discontinued Operations (“IFRS 5”) - disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations**

### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We support the Boards’ proposed amendment. Upon the classification of non-current assets as held for sale or discontinued operations, the disclosures as required by IFRS 5 is the disclosures that will provide the users of financial statements with the most relevant information.

### **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

## **2.3 IFRS 8 Operating segment (“IFRS 8”) – Disclosure of information about segment assets**

### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree in principle with clarifying whether total segment assets should be reported in the segment report if the chief operating decision maker does not review that number. However, we would like to raise concerns regarding whether such a clarification should be made in the basis of conclusions or in the body of the standard. We believe the body of the standard is more appropriate.

In addition, we are concerned about the unintended consequences that this amendment may have, for example, can the principle be applied by analogy to all other disclosures required by IFRS 8. What impact does the application of the basis of conclusion have on the requirements of IFRS 8 paragraph 23? Further consideration in this regard is recommended.

## **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

Not applicable as this does not constitute an amendment to IFRS 8. This is an amendment to the Basis of Conclusion of IFRS 8.

## **2.4 IAS 7 Statement of Cash Flows (“IAS 7”) – Classification of expenditures on unrecognised assets**

### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with this proposed amendment as it explicitly clarifies that only expenditures that results in recognized assets can be classified as cash flows from investing activities.

We do however believe that the principles set out in the Standard prior to the amendment were sufficiently clear. We would also like to stress that the IASB should guard against making changes that can be seen as rules, as this can be seen as contradictory to the principle based outlook of IFRSs.

### **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

## **2.5 IAS 18 Revenue (“IAS 18”) - determining whether an entity is acting as a principal or as an agent**

### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We support the additional guidance provided and believe that the guidance is sufficient to determine whether an entity is acting as a principal or agent.

### **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We have no comment.

### **Question 3**

*The Board proposes to include in the Appendix of IAS 18 Revenue, guidance on determining whether an entity is acting as a principal or as an agent. What indicators, if any, other than those considered by the Board should be included in the guidance proposed?*

We are of the opinion that the principles are clear enough to determine whether an entity is acting as an agent or principal.

## **2.6 IAS 36 Impairment of assets (“IAS 36”) – Unit of account for goodwill impairment test**

### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed amendment of this Standard as an operating segment as defined in paragraph 5 of IFRS 8, before the aggregation permitted by paragraph 12 of IFRS 8, represents the largest unit for which goodwill is monitored.

This proposed amendment will provide the necessary clarity on whether the largest unit permitted for impairment test is before or after the aggregation permitted by paragraph 12 of IFRS 8 as this was not clear from the reading of IAS 36.

## **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

## **2.7 IAS 38 Intangible assets (“IAS 38”)**

### **2.7.1 Additional consequential amendments arising from the revised IFRS 3**

#### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed amendment of this Standard.

#### **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

### **2.7.2 Measuring the fair value of an intangible asset acquired in a business combination**

#### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed amendment of this Standard.

## **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

## **2.8 IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”)**

### **2.8.1 Scope exemption of business combination contracts**

#### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the IASB’s proposed amendment. This is merely a clarification of the paragraph and not a change in the principles of IAS 39.

#### **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

### **2.8.2 Application of the fair value option**

#### **Question 1**

*Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We support the Board’s proposed amendment to clarify the principles in IAS 39 paragraph 11 A.

## **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

### **2.8.3 Cash flow hedge accounting**

#### **Question 1**

*Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the Board's proposed clarification.

#### **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.

### **2.8.4 Bifurcation of an embedded foreign currency derivative**

#### **Question 1**

*Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed amendment. We do however recommend that the foreign currencies that will be eligible in terms of the revised AG 33(d)(iii), as listed in paragraphs BC 19 (c) to (f), be included in paragraph AG 33(d)(iii) to make it easier to understand.

## **Question 2**

*Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We agree with the proposed transitional provisions and effective date proposed by the Board.