

14 November 2005

Alan Teixeira  
Senior Project Manager  
International Accounting Standards Board  
30 Cannon Street, London EC4M 6XH  
United Kingdom

*(By email: [CommentLetters@iasb.org](mailto:CommentLetters@iasb.org))*

Dear Mr Teixeira

**RESPONSE TO EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO  
IAS 27 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

1. We are writing to provide our comments on the Exposure Draft of Proposed Amendments to IAS 27 *Consolidated and Separate Financial Statements* published by the International Accounting Standards Board (IASB) in June 2005.
2. Our comments below address the specific questions set out in the “Invitation to Comment” section. We have received comments from some of the Singapore constituents. Constituents’ comments are reflected in our responses below.

**Question 1**

Draft paragraph 30A proposes that changes in the parent’s ownership interest in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes would be recognised in profit or loss (see paragraph BC4 of the Basis for Conclusions).

Do you agree? If not, why not and what alternative would you propose?

**We believe that the proposal is appropriate for deemed disposals e.g. shares of a subsidiary issued to third parties. In the case of other partial disposals, we believe the gain or loss attributable to the parent should be recorded in the income statement. In this respect, we believe the parent entity perspective to be more relevant than the economic entity perspective.**

## Question 2

Paragraph 30D proposes that on loss of control of a subsidiary any non-controlling equity investment remaining in the former subsidiary should be remeasured to its fair value in the consolidated financial statements at the date control is lost. Paragraph 30C proposes that the gain or loss on such remeasurement be included in the determination of the gain or loss arising on loss of control (see paragraph BC7 of the Basis for Conclusions).

Do you agree that the remaining non-controlling equity investment should be remeasured to fair value in these circumstances? If not, why not and what alternative would you propose?

Do you agree with the proposal to include any gain or loss resulting from such remeasurement in the calculation of the gain or loss arising on loss of control? If not, why not, and what alternative would you propose?

**We do NOT agree that the remaining non-controlling equity investment should be remeasured to fair value in the above circumstances and with the proposal to include any gain or loss resulting from such remeasurement in the calculation of the gain or loss arising on loss of control because we do not agree that the economic entity approach should replace entirely the parent entity approach.**

**From the parent entity's perspective as the remaining non-controlling interest has not been realised it would not be appropriate to remeasure it. The remaining non-controlling interest could be an associated company, in which case it should be carried at the original cost plus the share of post acquisition profits or losses (subject of course to any impairment provisions required). It should not be required to be measured at fair value.**

**If the remaining non-controlling interest is governed by IAS 39 then it should have the option of being recorded at fair value through profit and loss account or fair value through equity.**

**Therefore the proposal to remeasure it to fair value and be taken to the profit and loss account would not be appropriate.**

## Question 3

As explained in Question 1, the Exposure Draft proposes that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control should be treated as transactions with equity holders in their capacity as equity holders. Therefore, no gain or loss would be recognized in profit or loss. However, a decrease in the parent's ownership interest resulting in the loss of control of a subsidiary would result in any gain or loss being recognised in profit or loss for the period. The Board is aware that differences in accounting that depend on whether a change in control occurs could create opportunities for entities to structure transactions to achieve a particular accounting result. To reduce this risk, the Exposure Draft proposes that if one or more of the indicators in paragraph 30F are present, it is presumed that two or more disposal transactions or arrangements that result in a loss of control should be accounted for as a single transaction or arrangement. This presumption can be overcome if the entity can demonstrate clearly that such accounting would be inappropriate (see paragraphs BC9-BC13 of the Basis for Conclusions).

Do you agree that it is appropriate to presume that multiple arrangements that result in a loss of control should be accounted for as a single arrangement when the indicators in paragraph 30F are present? Are the proposed factors suitable indicators? If not, what alternative indicators would you propose?

**We agree (but see our response to Question 1).**

## Question 4

Paragraph 35 proposes that losses applicable to the non-controlling interest in a subsidiary should be allocated to the non-controlling interest even if such losses exceed the non-controlling interest in the subsidiary's equity. Non-controlling interests are part of the equity of the group and, therefore, participate proportionally in the risks and rewards of investment in the subsidiary.

Do you agree with the proposed loss allocation? Do you agree that any guarantees or other support arrangements from the controlling and non-controlling interests should be accounted for separately? If not, why not, and what alternative treatment would you propose?

**We agree with the proposed loss allocation and that any guarantees or other support arrangements from the controlling and non-controlling interests should be accounted for separately.**

**Question 5**

The transitional provisions in the Exposure Draft propose that all of its requirements should apply retrospectively, except in limited circumstances in which the Board believes that retrospective application is likely to be impracticable.

Do you agree that proposed paragraphs 30A, 30C and 30D should apply on a prospective basis in the cases set out in paragraph 43B? Do you believe that retrospective application is inappropriate for any other proposals addressed by the Exposure Draft? If so, what other proposals do you believe should be applied prospectively and why?

**We agree that proposed paragraphs 30A, 30C and 30D should apply on a prospective basis in the cases set out in paragraph 43B and that retrospective application is inappropriate for any other proposals addressed by the Exposure Draft.**

3. Should you require any further clarification, please contact Mr Ramchand Jagtiani, Deputy Director, at the Institute of Certified Public Accountants of Singapore via email at [jagtiani@icpas.org.sg](mailto:jagtiani@icpas.org.sg). Thank you.

Yours sincerely,

Derek How  
Secretary, CCDG