ASC
ACCOUNTING STANDARDS COUNCIL

5 September 2012

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By online submission)

Dear Sirs

RESPONSE TO EXPOSURE DRAFT ON ANNUAL IMPROVEMENTS TO IFRSs 2010 – 2012 CYCLE

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Exposure Draft on *Annual Improvements to IFRSs 2010 – 2012 Cycle* (the ED) issued by the International Accounting Standards Board (the Board) in May 2012.

Our comments on the specific questions in the ED are as follows:

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 proposals in the ED except as follows:

<u>IAS 12 *Income Taxes*</u>
We generally support the proposed amendments to IAS 12. However, we are concerned that the current drafting of the proposed amendment in paragraph 29(a)(i)[1] could give rise to unintended consequences in that an entity with similar fact patterns as the example after paragraph 30A could conclude that it has probable future taxable profit relating to capital gains of "20" rather than "nil" as follows:

[1] In evaluating whether it will have sufficient taxable profit in future periods, an entity "*compares the deductible temporary differences with those future taxable profits before deducting the amounts resulting from the reversal of those deductible temporary differences*..."

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	Year 1	Year 2
Accounting profit:		
- Unrealised loss on debt instrument	(20)	-
- Reversal of unrealised loss on debt instrument (expected)		20
Deductible temporary difference	20	(20)[b]
Taxable profit	-	-[a]

Probable future taxable profit before deducting the amounts resulting from the reversal of deductible temporary differences = [a – b] = 20.

As such, we are of the view that paragraph 29(a)(i) should be refined to make it clear that future taxable profit against which an entity assesses a deferred tax asset for recognition should **exclude** the expected reversal of unrealised loss on the debt instrument (and other similar transactions and events).

Question 2
Do you agree with the proposed transitional 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 dates as proposed in the ED.

We hope that our comments will contribute to the Board's deliberation on the ED. Should you require any further clarification, please contact the project manager Ee Wen KUAH at kuah_ee_wen@acra.gov.sg.

Yours faithfully

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