COUNCIL ON CORPORATE
DISCLOSURE & GOVERNANCE

18 May 2007

IAS 1 Amendments
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

***(By email: CommentLetters@iasb.org)***

Dear Sir,

**RESPONSE TO EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IFRS 1 *FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS: COST OF AN INVESTMENT IN A SUBSIDIARY***

The Council on Corporate Disclosure and Governance (CCDG) appreciates the opportunity to comment on the Exposure Draft of Proposed Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards: Cost of an Investment in a Subsidiary* in January 2007.

**We are generally supportive of the IASB's project to modify IFRS 1.**

Our specific comments to the questions are as follows:

**Question 1**

IAS 27 requires a parent, in its separate financial statements, to account for an investment in a subsidiary either at cost or at fair value (in accordance with FRS 39: *Financial Instruments: Recognition and Measurements*). However, the Board believes that in some cases, on first-time adoption of IFRS, the difficulties in determining cost in accordance with FRS 27 exceed the benefit to users.

The Exposure Draft proposes to allow a parent, at its date of transition to IFRSs, to use a deemed cost for an investment in a subsidiary. The deemed cost would be determined using either the carrying amount of the net assets of the subsidiary, or its fair value, at that date. Is this appropriate? If not, why?

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**Paragraph B6(b)(ii) of the Exposure Draft allows for the pre-acquisition accumulated profits of each subsidiary under previous GAAP to be treated as the pre-acquisition accumulated profits under FRSs. The cost as reflected in the previous GAAP should also be an acceptable option for determining "deemed cost".**

**Question 2**

The cost method in IAS 27 requires a parent to recognise distributions from a subsidiary as a reduction in the cost of the investment to the extent they are received from the subsidiary's pre-acquisition profits. This may require a parent, in some cases, to restate the subsidiary's pre-acquisition accumulated profits in accordance with IFRSs.

Such a restatement would be tantamount to restating the original business combination, requiring judgements by management about past conditions after the outcome of the transaction is known.

The Exposure Draft proposes a simplified approach to determining the pre-acquisition accumulated profits of a subsidiary for the purpose of the cost method in IAS 27. Is this appropriate? If not, why?

**We agree with the proposal.**

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. Thank you.

Yours faithfully,

Shirlynn Loo
Secretary, CCDG

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