ASC
ACCOUNTING STANDARDS COUNCIL

24 March 2008

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

(By email: iasb@iasb.org)

Dear Sir

RESPONSE TO EXPOSURE DRAFT OF AMENDMENTS TO IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS AND IAS 27 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

1. The Accounting Standards Council (ASC) appreciates the opportunity to comment on the exposure draft of amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements issued by the International Accounting Standards Board (IASB) in December 2007. Our comments are as follows:

Question 1—Deemed cost

The exposure draft proposes to allow an entity, at its date of transition to IFRSs in its separate financial statements, to use a deemed cost to account for an investment in a subsidiary, jointly controlled entity or associate. The exposure draft proposes that an entity may choose as the deemed cost of such investments either the fair value or the previous GAAP carrying amount of the investment at the entity's date of transition to IFRSs (see paragraphs 23A and 23B of the draft amendments to IFRS 1 and paragraphs BC8–BC13 of the Basis for Conclusions).

Question 1

Do you agree with the two deemed cost options as they are described in this exposure draft? If not, why?

We agree with the two deemed cost options.

Question 2—Change in scope

The exposure draft proposes that the deemed cost option should be available for the initial measurement of investments in jointly controlled entities and associates when an entity adopts

IFRSs in its separate financial statements (see paragraph BC14 of the Basis for Conclusions).

Question 2

Do you agree with the proposal to allow the deemed cost option for investments in jointly controlled entities and associates? If not, why?

We agree with the proposal.

Questions 3 and 4—Cost method

The exposure draft proposes to delete the definition of the 'cost method' from IAS 27. Additionally, the exposure draft proposes to amend IAS 27 to require an investor to recognise as income dividends received from a subsidiary, jointly controlled entity or associate in its separate financial statements. The receipt of this dividend requires the investor to test its related investment for impairment in accordance with IAS 36 *Impairment of Assets* (see paragraphs 4 and 37B of the draft amendments to IAS 27 and paragraphs BC15–BC20 of the Basis for Conclusions).

Question 3

Do you agree with the proposal to delete the definition of the cost method from IAS 27? If not, why?

We agree with the proposal.

Question 4

Do you agree with the proposed requirement for an investor to recognise as income dividends received from a subsidiary, jointly controlled entity or associate and the consequential requirement to test the related investment for impairment? If not, why?

We agree with the proposal. In addition, we would like to seek clarification as to whether the proposed requirement relates only to dividends distributed from profits or also include capital distributions received from a subsidiary, jointly controlled entity or associate.

Question 5—Formation of a new parent

The exposure draft proposes that in applying paragraph 37(a) of IAS 27 to the formation of a new parent, the new parent should measure cost using the carrying amounts in the separate financial statements of the existing entity at the date of the formation (see paragraph 37A of the draft amendments to IAS 27 and paragraphs BC21 and BC22 of the Basis for Conclusions).

Question 5

Do you agree with the proposed requirement that, in applying paragraph 37(a) of IAS 27, a new parent should measure cost using the carrying amounts of the existing entity? If not, why?

We agree with the proposed requirement.

Question 6—Transition

The exposure draft proposes that the amendments to IFRS 1 and IAS 27 shall be applied prospectively.

Question 6

Do you agree that prospective application of the proposed amendments to IFRS 1 and IAS 27 is appropriate? If not, why?

We agree with the proposal.

2. Should you require any further clarification, please kindly contact me. Thank you.

Yours faithfully,

Dexter Tan
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