

21 October 2011

Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board (IASB)  
30 Cannon Street  
London ED 4M 6 XH  
United Kingdom

Dear Mr Hoogervorst

**EXPOSURE DRAFT ED/2011/2 IMPROVEMENTS TO IFRSs**

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The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Exposure Draft of *Improvements to IFRSs* (ED/2011/2).

We append below the following comments for your considerations:

**[1] Proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* - Repeated application of IFRS 1**

We agree with the proposal that IFRS 1 is required when an entity moves from national GAAP to IFRSs for a second time. We would also suggest an entity adopting IFRS 1 for the second time to provide reason(s) why it stopped and now resume the adoption of IFRSs.

**[2] Proposed amendments to IFRS 1 - Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs**

We agree with the proposal of D23(a) which, according to BC6, aims to clarify that borrowing costs capitalised in accordance with previous GAAP can be carried over in the opening statement of financial position as eliminating such costs would be inconsistent with prospective application as set out in IAS 23 (revised).

However, we are of the view the proposal of D23(b) would result in a 'stricter' transition for first-time adopters than the transitional provision of IAS 23 (revised). According to IAS 23 paragraph 27, an entity is required to account borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after the effective date. Commencement date as explained in IAS 23 paragraph 17 is the date when an entity first incurs expenditures for the asset and borrowing costs and undertakes activities that are necessary to prepare the asset for its intended use or sale. This means that under IAS 23 (revised), an entity is not required to capitalise borrowing costs for assets under construction on adoption of IAS 23 (revised) if the entity had previously adopted the allowed alternative method.

In this regard, we would like to seek clarification whether it is the Board's intent to require a first-time adopter to account for borrowing costs according to IAS 23 for assets under construction for which the commencement date for capitalisation occurs before the date of transition.

**[3] Proposed amendment to IAS 16 - Classification of servicing equipment**

We agree with the proposal to clarify that servicing equipment should be classified as property, plant and equipment when it is used during more than one period.

However, we opined that the drafting of paragraph 8 seemed to place emphasis on how spare parts and servicing equipment are accounted for in practice. We believe the accounting principles for such items should be the focus of the paragraph and thus be given priority. In this regard, we wish to propose that paragraph 8 to be further clarified as follows:

*(new text is underlined and deleted text is struck through)*

8 ~~Spare parts and servicing equipment are often carried as inventory and recognised in profit or loss as consumed. However, m~~Major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Otherwise, spare parts, stand-by equipment and servicing equipment are carried as inventory and recognised in profit or loss as consumed.

With this clarification, we believe more spare parts, stand-by equipment and servicing equipment could be classified under property, plant and equipment. In this regard, we request the IASB to further clarify when depreciation should commence for spare parts, stand-by equipment and servicing equipment that qualify to be classified as property, plant and equipment but yet to be put in used or consumed (such as those kept in the warehouse for standby purposes).

If you need further clarification, please contact Ms. Tan Bee Leng at +603 2240 9200 or by email at [beeleng@masb.org.my](mailto:beeleng@masb.org.my).

Thank you.

Yours sincerely,



**MOHAMMAD FAIZ AZMI**  
Chairman