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MASB MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

24 November 2009

Sir David Tweedie
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London ED 4M 6 XH
United Kingdom

FAXED
DATE: 24/11 TIME: 10.40

Dear Sir David

IASB EXPOSURE DRAFT OF IMPROVEMENTS TO IFRSs

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments to the IASB on Exposure Draft of Improvements to IFRSs (ED/2009/11).

We have the following comments for your consideration.

(1) **Proposed amendment to IFRS 7 *Financial Instruments: Disclosures***
– disclosures about the nature and extent of risks arising from financial instruments

With regards to paragraph 38, we note from BC6 that entities need disclose only the amount of foreclosed collateral held at the reporting date. However, the drafting of paragraph 38 does not appear to indicate so as some are of the view "taking possession of collateral" means the collateral may not yet been foreclosed. Therefore we believe it would add clarity to paragraph 38 to incorporate the text of BC6 to explicitly state that the disclosure is related to foreclosed collateral held by the entity.

(2) **proposed amendment to IAS 1 *Presentation of Financial Statements***
– clarification of statement of changes in equity

We agree with the proposed amendment to state explicitly that an entity shall present the components of changes in equity either in the statement of changes in equity or in the notes to the financial statements. In addition, we believe IN6 should be amended accordingly to be consistent with paragraph 106.

(3) **Proposed amendment to IAS 27 *Consolidated and Separate Financial Statements***
– impairment of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements of the investor

Whilst we are agreeable with the proposal to apply the provisions of IAS 39 to test investments in subsidiaries, jointly controlled entities and associates for impairment in the separate financial statements of the investor, we do not agree with the proposal to amend paragraph 38 to require an entity to account investments in subsidiaries, jointly controlled entities and associates either at cost or at fair value through profit or loss.

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While we appreciate the amendment is in line with the upcoming IFRS 9 *Financial Instruments*, we do not believe it is appropriate to incorporate the new requirements of IFRS 9 as part of the *Improvements to IFRSs*. As it is now, entities who choose to apply IAS 39 to account for its investments in subsidiaries, jointly controlled entities and associates have the option to classify them either at fair value through profit or loss or available for sale or at cost when fair value cannot be determined reliably. We believe the changes would take away that option and inadvertently require entities to early apply IFRS 9, whose effective date is 1 January 2013 whilst the proposed effective date of the amendment to IAS 27 is 1 January 2011.

Under existing IAS 39, an investment in subsidiary should not be categorised as fair value through profit or loss if an entity chooses to fair value the investment unless it fulfils the definition of fair value through profit or loss. In addition, if an entity applies IAS 39 instead of the "cost model", most investments in subsidiary would be categorised as available for sale unless there is an intention to sell.

In this regard, we strongly urge the Board retaining the text of the existing IAS 27 paragraph 38.

(4) Proposed amendment to IAS 34 *Interim Financial Reporting*
– significant events and transactions

While we acknowledge the merit of the proposal to require interim financial reports to disclose information required in IFRS 7, we are concerned whether the costs required to gather the information exceeds the perceived benefit made available to investors and other users. The proposal of paragraph 15B(k) requires disclosure of significant transfers between levels of the fair value hierarchy in the measurement of the fair value of financial instruments may be overly onerous. In our view due consideration should be given to periodic vis-à-vis annual disclosure requirements. In this regard, we strongly urge the Board to reconsider the proposals.

Paragraph 16A

We do not agree with the proposal of paragraph 16A to replace “material” with “necessary”. As the notion of “necessary” is not defined in IFRSs, we are concerned it may be inappropriately defined or the interpretation could be subject to abuse. In our view, the use of “material” should be retained as it would limit the use of judgement / abuse since the terminology is well defined and has been frequently applied throughout IFRSs.

(6) Proposed amendment to IAS 40 *Investment Property*
– change from fair value model to cost model

We do not agree to include the proposed amendment within *Improvements to IFRSs*. As the proposed changes are likely to have significant impact on specific industry particularly real estate entities with huge land banks, we believe a separate project should be undertaken.

In the event the IASB decides to proceed to include the amendment within *Improvements to IFRSs*, we do not believe it is appropriate to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale. It is also not appropriate to require disclosures consistent with IFRS 5 as it would result in a presentation format that will not faithfully reflect the business model of a real estate entity.

For example, some development projects may take more than one year to complete. Although such projects are within the normal operating cycle of a real estate entity, it may not fulfill the criteria of IFRS 5 whereby classification as asset held for sale can only be made when the sale is expected to be completed within one year from the date of classification.

In addition, the change may also cause confusion as to the accounting for development costs that are incurred subsequent to the classification of the investment property as asset held for sale with regards to whether those cost should be capitalised in the asset held for sale or be reflected as cost of inventories since those development costs fulfill the definition of IAS 2 *Inventories* as well.

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

Thank you.

Yours sincerely,

Mohammad Faiz Azmi
Chairman