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Mr Jeff Singleton  
International Accounting Standards Board  
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UNITED KINGDOM

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Dear Mr Singleton

### **Exposure Draft: Proposed Amendments to IFRS 1**

The Group of 100 (G100) is an organisation representing the interests of chief financial officers and senior finance executives of Australia's major business enterprises and is pleased to provide comments on this ED..

The G100 supports measures to facilitate the implementation of IFRSs and the pragmatic approach proposed in this ED to facilitate the process. The proposals will remove a potential impediment to orderly implementation and compliance.

**Q1.** *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 IAS 39 Financial Instruments: Recognition and Measurement). However, the Board believes that in some cases, on first-time adoption of IFRSs, the difficulties in determining cost in accordance with IAS 27 exceed the benefit to users.*

*This 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?*

**The G100 supports the proposal to use deemed cost for an investment in a subsidiary in these cases at the date of transition and not cost determined in accordance with the previous GAAP for the reasons specified on BC 4. We believe that the determination of deemed cost should be a matter of judgment depending on the circumstances in each case. As such fair value, if reliably determinable, could be used in respect of some subsidiaries while it may be appropriate to use the carrying amount of net assets in other circumstances for other subsidiaries.**

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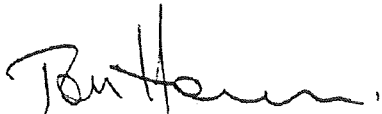
- Q2.** *The cost method in IAS 27 requires a parent to recognise distributions from a subsidiary as a reduction in the cost of investment to the extent they are received from the subsidiary's pre-acquisition profits. This may require a parent, in some cases, to restate the subsidiary's pre-acquisition 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.*

*This 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?*

**The G100 supports the proposed treatment of distributions from pre-acquisition retained earnings and reserves as a deduction from the cost of the investment in a subsidiary as it is, in substance, a return of part of the purchase price. While this may lead to some restatements it should not result in a change in the difference between the cost of the investment and the investor's share of the net assets acquired. The proposed approach is a reasonable pragmatic compromise which will help smooth the transition to IFRSs.**

Yours sincerely



**Tom Honan**  
National President

c.c. Mr David Boymal, Chairman AASB