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Grant Thornton

Mr David Boymal
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By email: standard@aasb.com.au

13 February 2008

Dear David

ED 160 Exposure Draft of Proposed Amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Grant Thornton Association Inc ("Grant Thornton Australia") is pleased to comment on the Australian Accounting Standard Board's (AASB's) ED 160. Our response reflects our position as business advisers both to listed companies and privately held businesses.

This submission has benefited with input from our clients, Grant Thornton International which will be finalising a global submission to the IASB by its 26 February 2008 deadline, and discussions with key constituents.

Grant Thornton Australia supports in principle the proposals contained in ED 160. Our detailed comments are attached as an Appendix, and subject to those detailed comments, we do not believe that there are there are any Australian regulatory issues that would affect the implementation of the proposals, the proposals will result in financial reports that are useful to users, and the proposals are in the best interests of the Australian economy.

If you require any further information or explanations, please contact me.

Yours sincerely
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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 support the proposal to allow deemed cost to be at either fair value, or the previous GAAP carrying amount on the basis that this is a pragmatic solution to what at times is a practical problem.

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 support the proposal to allow the deemed cost option as it provides consistency with 'jointly-controlled entities' and associates.

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 support the proposal to delete the definition of the cost method.

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 support the proposal to recognize as income dividends received.

We do not however support the requirement to test for impairment as this will often be unduly onerous and therefore recommend that the payment of a dividend should only be a potential indicator of impairment which needs to be considered, and not automatically require impairment testing.

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 support the proposal to measure cost using the carrying amount at the date of formation. However we suggest that the restriction that it only apply to wholly owned subsidiaries should be deleted from paragraph 37A as this would impede the use of the creation of a new parent company for the group where it is an internal reconstruction.

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 support the proposal to allow prospective application, but suggest that an option to apply retrospectively be available for those entities that have the available financial information to so do.