財團法人
會計研究發展基金會
ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION

September 5, 2012

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

Dear Sir/Madam

Exposure Draft ED/2012/1

The Special Task Force of the Financial Accounting Standards Committee (FASC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The attachment lists our comments to this exposure draft. The comments are those of the Special Task Force and do not necessarily represent official opinions of the FASC.

If you have any question about our comments, please contact us via yanntsai@ntu.edu.tw or margaret@ardf.org.tw.

Sincerely Yours,

Yann Tsai

Yann-Ching Tsai., Ph.D.
Chairman,
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IFRS 2 *Share-based Payment*

Question 1 –Definition of vesting condition

The Board proposes to separate the definitions of a 'performance condition' and a 'service condition' from the definition of a 'vesting condition' and thus make the description of each condition clearer.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed amendments. These amendments will resolve some questions when applying IFRS2. However, we suggest IASB to clarify when performance target measured over a period exceeding the required service period, whether the performance target partly combined with a service requirement does not meet the definition of vesting condition and therefore is not a performance condition but a non-vesting condition. Besides, an illustrative example will help us to understand the accounting treatment.

Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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IFRS 3 *Business Combinations*

Question 1 –Accounting for contingent consideration in a business combination

The Board proposes to clarify that contingent consideration is assessed as either a liability or an equity instrument only on the basis of the requirements of IAS 32 *Financial Instruments: Presentation*.

Currently, IFRS 3 paragraph 40 refers not only to IAS 32, but also to 'other applicable IFRSs' in determining whether contingent consideration is classified as a liability or as an equity instrument. The Board proposes to clarify this by deleting the reference to 'other applicable IFRSs'.

The Board proposes to clarify that contingent consideration that is not classified as an equity instrument is subsequently measured at fair value, with the corresponding gain or loss being recognised either in profit or loss or other comprehensive income in accordance with IFRS 9. Currently, IFRS 3 paragraph 58 requires subsequent measurement of contingent consideration at fair value, but refers to standards in which fair value is not necessarily the subsequent measurement basis.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed amendment to paragraph 40, because it will decrease the uncertainty when applying this paragraph. We also agree with the proposed amendment to paragraph 58 in substance. In this way, we're sure that contingent consideration which is not classified as equity should be subsequently measured at fair value with gain or loss accounted for in accordance with IFRS9. However, those amendments imply that all contingent consideration meet the definition of financial instruments and thus could apply the requirements of IFRS9. We are concerned if some contingent consideration does not meet the definition of financial instrument, what requirements should be applied?

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Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment to those paragraphs prospectively to business combinations for which the acquisition date is on or after 1 January 2015. Earlier application is permitted. If an entity applies that amendment earlier, it shall disclose that fact and at the same time apply IFRS 9 Financial Instruments (as amended by Annual Improvements to IFRSs 2010-2012 Cycle).

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provision and effective date. Because the proposed amendments of IFRS3 don't change current practice significantly, entities may not need much time to prepare for them.

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IFRS 8 ***Operating Segment***

Question 1 – Aggregation of operating segments and Reconciliation of the total of the reportable segment' assets to the entity's assets   The Board proposes amending paragraph 22 to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. Besides, the Board proposes to amend paragraph 28(c) to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker, in line with the requirements in paragraph 23.   Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposal to amend paragraph 22 and 28 of IFRS 8.

Question 2 – Transitional provisions and effective date   The Board proposes that an entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application is permitted.   Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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IFRS 13 *Fair Value Measurement*

Question 1 –Short-term receivables and payables

IFRS 13 deleted paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement. The proposed amendment to the Basis for Conclusions of IFRS 13 aims to explain the Board's rationale for these amendments. In particular, the Board proposes to clarify that, when making those amendments to IFRS 9 and IAS 39, it did not intend to remove the ability of an entity to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

The deletion had been made on the basis that the guidance was no longer needed in IFRS 9 and IAS39 because it had been incorporated into IFRS 13 and materiality is a concept dealt in IAS 8. We agree with the proposal to delete paragraph B5.4.12 of IFRS 9 and paragraph AG79 of IAS 39.

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IAS 1 *Presentation of Financial Statements*

Question 1 –Current/non-current classification of liabilities

The Board proposes to amend IAS 1 to clarify that a liability is classified as non-current if an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

Taiwan's existing requirements are based on IAS 1. It does not specify that an agreement is reached before reporting date to refinance the existing borrowing with the same lender or a different lender, at similar or different terms. In most of practice, it is not limited to the same lender at the same or similar terms. If an entity intends to refinance the obligation on a long-term basis, and refinance or reschedule is completed before the balance sheet date, or has the discretion to refinance or roll over an obligation for at least twelve months after the reporting date under an existing loan facility, it continues to classify that financial liabilities as non-current.

However, considering the reasonableness and the requirements of IAS1 paragraph 73 (under an existing loan facility) and IAS39 (a substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability), we agree to the proposed amendments. Although the entity may have the ability to refinance the loan under a facility that has been agreed at the reporting date, refinancing of the loan in these circumstances (either at different terms with the same lender or at similar or different terms with a different lender) would require its settlement, in substance and fact, concurrent with a new borrowing. The new borrowing could not be viewed as an extension of the existing loan. Therefore, the loan classified as current at the reporting date is appropriate. But, with regard to the meaning of 'same lender', refinancing under a syndicated loan may need more specific guidance. For example, when a syndicated loan is refinanced with the same arranger but different participating lenders, is this refinanced loan qualified the 'same lender' condition?

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Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment for annual periods beginning on or after 1 January 2014. An entity need not apply that amendment to comparative information. Earlier application is permitted.

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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IAS 7 *Statement of Cash Flows*

Question 1 –Interest paid that is capitalised

The Board proposes to amend paragraphs 16(a) and 33 of IAS 7 *Statement of Cash Flows* and to add paragraph 33A to clarify that the classification of interest that is capitalised shall follow the classification of the underlying asset to which those payments were capitalised.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree to the proposed amendments. According to the requirements of IAS23, An entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. We believe that if the capitalized borrowing costs are classified in accordance with the classification of underlying asset to which those interests were capitalized, the information provided by the statement of cash flows will be more useful than the information provided under existing requirements. Therefore, to address the lack of original guidance, it is appropriate to modify the requirement.

Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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IAS 12 *Income Taxes*

Question 1 –Recognition of deferred tax assets for unrealised losses

The Board proposes to amend IAS 12 to clarify that:

(a) an entity assesses whether to recognise the tax effect of a deductible temporary difference as a deferred tax asset in combination with other deferred tax assets. If tax law restricts the utilisation of tax losses so that an entity can only deduct the tax losses against income of a specified type (eg if it can deduct capital losses only against capital gains), the entity must still assess a deferred tax asset in combination with other deferred tax assets, but only with deferred tax assets of the appropriate type;

(b) taxable profit against which an entity assesses a deferred tax asset for recognition is the amount before any reversal of deductible temporary differences; and

(c) an action that results only in the reversal of existing deductible temporary differences is not a tax planning opportunity. To qualify as a tax planning opportunity, the action needs to create or increase taxable profit.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the Board's proposal to amend IAS 12 Income Taxes to clarify that an entity should recognize the tax effect of a deductible temporary difference as a deferred tax asset in combination only with other deferred tax assets of the appropriate type and that an entity should compare a deductible temporary difference with probable future taxable profits before the reversal deductible temporary differences as well as that an action resulting only in reversal of existing deductible temporary differences is not a tax planning opportunity. Nevertheless, we recommend that the Board also clarify the difference between 'taxable profit' and 'taxable income' in its amendment since the board proposed using 'taxable profit' instead of 'taxable income' when clarifying what 'tax planning opportunity' is in this proposed amendment. We assume that the two terms have different meaning, or the Board would not have proposed changing the wording unless the Board just intended to make the wording consistent. However, the term "taxable income" is still used in other paragraphs in IAS 12.

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Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

Question 1 –Revaluation method—proportionate restatement of accumulated depreciation

The Board proposes to clarify the requirements for the revaluation method in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to address concerns about the computation of the accumulated depreciation at the date of the revaluation. The proposed changes are that:

(a) the determination of the accumulated depreciation does not depend on the selection of the valuation technique; and

(b) the accumulated depreciation is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation method has been re-estimated before a revaluation, restatement of the accumulated depreciation is not proportionate to the change in the gross carrying amount of the asset.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We can accept this proposal.

Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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IAS 24 *Related Party Disclosures*

Question 1 –Key management personnel

The Board proposes to clarify the identification and disclosure requirements for related party transactions that take place when key management personnel services are provided by a management entity that is not otherwise a related party of the reporting entity. The proposed changes are:

(a) the definition of a 'related party' is extended to include management entities;

(b) the disclosure requirements of paragraph 18 are extended to require the separate disclosure of transactions for the provisions of key management personnel services; and

(c) the key management personnel compensation that is provided by a management entity to its own employees is excluded from the disclosure requirements of paragraph 17 to prevent duplication.

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree the amendments for the identification and disclosure for the related party transactions that take place when key personnel services are provided by a management entity that is not otherwise a related party of the reporting entity. This amendment reduces the practical inconsistency in disclosures for compensations for key management personnel services providers.

Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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IAS 36 ***Impairment of Assets***

Question 1 –Harmonisation of disclosures for value in use and fair value less costs of disposal

The Board proposes to clarify that the disclosure requirements in IAS 36 that are applicable to value in use are also applicable to fair value less costs of disposal when there has been a material impairment loss or impairment reversal in the period.

Response to the above Question:

We agree with the proposed amendment, because it will improve the disclosures for fair value less costs of disposal.

Question 2 – Transitional provisions and effective date

The Board proposes that an entity shall apply that amendment for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

Response to the above Question:

We agree with the proposed transitional provisions and effective date.

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