

13 February 2013

International Accounting Standards Board  
30 Cannon Street  
LONDON EC4M 6XH  
United Kingdom  
Email: [CommentLetters@ifrs.org](mailto:CommentLetters@ifrs.org)

Dear Sir/Madam

**SAICA SUBMISSION ON THE EXPOSURE DRAFT ANNUAL IMPROVEMENTS 2011 – 2013 CYCLE: PROPOSED AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In response to your request for comments on the IASB's Exposure Draft on *Annual Improvements 2011 – 2013 Cycle: Proposed Amendments to International Financial Reporting Standards*, attached is the comment letter prepared by the Accounting Practices Committee (APC) of The South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of the APC, which comprises members from reporting organisations, regulators, auditors, IFRS specialists and academics.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

**Sue Ludolph**  
**Project Director – Financial Reporting**

cc: Paul O'Flaherty (Chairman of the Accounting Practices Committee)

# SAICA SUBMISSION ON THE EXPOSURE DRAFT ON ANNUAL IMPROVEMENTS 2011 – 2013 CYCLE: PROPOSED AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

## **IFRS 1 – *First-time Adoption of International Financial Reporting Standards***

### **Question 1**

*Do you agree with the IASB’s proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?*

We support the proposed amendment.

However, we do have some editorial suggestions to enhance the clarity of the amendment:

- BC 11A clarifies that a first-time adopter may choose to early apply a new IFRS. We believe that BC 11A should also clarify that, should a new IFRS permit early adoption of only specific requirements or sections, a first-time adopter should also be permitted to early apply only those requirements or sections without early applying the entire standard. Thus we are suggesting that BC11A be amended to state “.....Consequently, if a first-time adopter chooses to early apply a new IFRS or IFRS requirement (where permitted), that new IFRS or IFRS requirement will be applied throughout the periods presented in its first IFRS financial statements, unless this IFRS or IFRS requirement provides an exemption or an exception that permits or requires otherwise.” (words underlined have been added.)
- IFRS 1.7 makes reference to “*all* periods presented in its first IFRS financial statements”; while BC 11 makes reference to “*each* period presented” (emphasis added). We believe that use of the word “each” may be interpreted to mean that a different version of an IFRS may be applied for each period, rather than the same version for each and every period presented. Accordingly, we suggest that BC 11 be amended to either refer to “*all* periods” or to “*each and every* period”.

## **IFRS 3 – *Business Combinations***

### **Question 1**

*Do you agree with the IASB’s proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?*

We agree with the proposed amendment to IFRS 3 as outlined in the exposure draft.

### **Question 2**

*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?*

We agree with the proposed transitional provisions and effective date as outlined in the exposure draft.

**SAICA SUBMISSION ON THE EXPOSURE DRAFT ON ANNUAL IMPROVEMENTS 2011 – 2013 CYCLE: PROPOSED AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**IFRS 13 – Fair Value Measurement**

**Question 1**

*Do you agree with the IASB's proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?*

We agree with the proposed amendment to IFRS 13 as outlined in the exposure draft.

**Question 2**

*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?*

We agree with the proposed transitional provisions and effective date as outlined in the exposure draft.

**IAS 40 – Investment Property**

**Question 1**

*Do you agree with the IASB's proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?*

We agree with the proposed amendment to IAS 40, however, we believe that guidance, in the form of indicators, should be provided in IFRS 3 to assist entities in assessing whether or not the transaction in which investment property is acquired is a business combination or an asset purchase.

**Question 2**

*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?*

The majority of our constituents agree with the proposed transitional provisions and effective date. In addition, it should be made clear that since IAS 40 provides for prospective application, so should IFRS 3 permit prospective application to the extent that the proposed amendment would result in a different conclusion under IFRS 3 as to whether a transaction involving investment property is a business combination or an asset purchase.

A minority are of the view that the proposed amendment does not change any principles in the standard and should therefore be applied retrospectively on the basis that any resultant change should be treated as an error. They are therefore of the view that, if this clarification impacts on the application of IFRS 3, IFRS 3 should be applied retrospectively as well. Having said this, it may not be clear whether a change in the treatment is required because there is still no clarification on whether a transaction involving investment property is a business combination or an asset purchase.

#414599