



International Accounting Standards Board®

Press Release

25 January 2007

IASB publishes proposals to help first-time adopters of IFRSs

The International Accounting Standards Board (IASB) today published for public comment proposals to provide further exemptions from the requirements of International Financial Reporting Standards (IFRSs) when they are adopted for the first time. The proposals are set out in an Exposure Draft of proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

The proposals respond to concerns about difficulties encountered by parent companies in measuring the cost of an investment in a subsidiary on adopting IFRSs. At present, IFRSs require a parent to measure an investment in a subsidiary either at its cost or at fair value. In some circumstances a parent is unable to determine cost in accordance with IFRSs but is deterred from using fair value to account for the investment by the subsequent need to measure the investment at each reporting date.

The Exposure Draft proposes to allow a parent to use a deemed cost to measure its investment in subsidiaries when it first adopts IFRSs. This deemed cost can be determined by reference to the parent's investment in the net assets of the subsidiary or the fair value of the parent's investment.

The proposals also provide further relief by alleviating the need to restate the pre-acquisition accumulated profits of a subsidiary for the purposes of classifying dividends.

Introducing the Exposure Draft, Sir David Tweedie, IASB Chairman, said:

These proposals are the Board's response to preparers' concern about a requirement that they regard as an obstacle to adopting IFRSs. If confirmed, the proposed changes will reduce the burden on preparers on first-time adoption of IFRSs while still providing useful information users of financial statements.

The IASB invites comments on the Exposure Draft by 27 April 2007.

The primary means of publishing proposed Standards and amendments to Standards is by electronic format through the IASB's subscriber Website. Subscribers are able to access the Exposure Draft published today through eIFRS 'online services'. Those wishing to subscribe should visit our online shop at www.iasb.org or contact:

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Printed copies of the Exposure Draft of Proposed Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards—Cost of an Investment in a Subsidiary* (ISBN 978-1-905590-24-7) are available, at £10.00, from IASCF Publications Department.

From 5 February 2007 the text of the Exposure Draft will be available freely from the IASB's Website.

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Notes to Editors

About the Exposure Draft

1 The proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* are intended to remove difficulties that prevent some entities from adopting IFRSs. The amendments would provide relief from some requirements in IAS 27 *Consolidated and Separate Financial Statements*. The IASB concluded that providing the exemptions in the manner proposed will not diminish the quality of information provided to users of financial statements. The IASB has not reconsidered the other provisions of IFRS 1.

2 The proposed amendments would allow a parent entity to use a deemed cost for its investment in a subsidiary instead of restating the amount in accordance with the requirements of IAS 27. The deemed cost can be based on the parent's investment in the net assets of the subsidiary or the fair value of the parent's investment.

3 In addition, the proposals would alleviate the need to restate the pre-acquisition accumulated profits of the subsidiary in accordance with IFRSs for the purposes of classifying dividends.

About the IASB

The International Accounting Standards Board (IASB), based in London, began operations in 2001. Contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations fund the operations of the IASB.

The 14 Board members (12 of whom are full-time) are drawn from nine countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve in accounting standards around the world.