



International Accounting Standards Board®

# Press Release

13 December 2007

## **IASB publishes revised proposals for determining the cost of an investment in separate financial statements**

The International Accounting Standards Board (IASB) published today for public comment an exposure draft of proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*. The exposure draft—*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*—was developed in response to comments received on a related exposure draft published in January 2007. In the light of those comments and further consultation with interested parties, the IASB reconsidered its proposals and, in accordance with its due process, now invites comment on the revised proposals.

The proposals address concern that retrospectively determining cost in accordance with IAS 27 on first-time adoption of International Financial Reporting Standards (IFRSs) cannot, in some circumstances, be achieved without undue cost or effort. Consequently, this might create a barrier to entities' adoption of IFRSs in separate financial statements. Additionally, the proposals respond to enquiries received about the measurement of cost in the separate financial statements of a new parent entity.

*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is available for eIFRS subscribers from today and will be freely available on the Website from 24 December 2007. It is open for comment until 26 February 2008.

Printed copies of the exposure draft (ISBN 978-1-905590-55-1) will be available shortly, at £10 plus shipping, from the IASC Foundation Publications Department. Those wishing to subscribe to eIFRSs should visit the online shop at [www.iasb.org](http://www.iasb.org) or contact:

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***About the exposure draft***

*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* contains proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*.

**Amendments to IFRS 1**

- a proposal to allow entities, in their separate financial statements, to use a deemed cost option for determining the cost (in accordance with paragraph 37 of IAS 27) of an investment;
- the use of either fair value (determined in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*) or the carrying amount at that deemed cost under previous national standards; and
- a change in scope of the applicability of the deemed cost option to include jointly controlled entities and associates as well as subsidiaries.

**Amendments to IAS 27**

- the removal of the ‘cost method’ from paragraph 4 of IAS 27; and
- a proposal to require a new parent to measure cost using the carrying amounts of the existing entity at the date when the new parent is formed.

***About the IASB***

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international

and national bodies around the world. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.