



Press Release

22 May 2008

IASB issues amendments for determining the cost of an investment in the separate financial statements

The International Accounting Standards Board (IASB) today issued amendments to International Financial Reporting Standards (IFRSs) for determining the cost of an investment in the separate financial statements.

The amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* respond to constituents' concerns that retrospectively determining cost and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. The amendments address that issue:

- 1) by allowing first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements; and
- 2) by removing the definition of the cost method from IAS 27 and replacing it with a requirement to present dividends as income in the separate financial statements of the investor.

The amendments to IAS 27 also respond to queries regarding the initial measurement of cost in the separate financial statements of a new parent formed as the result of a specific type of reorganisation. The amendments require the new parent to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

These amendments result from the IASB's consideration of responses to proposals in two exposure drafts: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (December 2007) and *Cost of an Investment in a Subsidiary* (January 2007).

The amendments to IFRS 1 and IAS 27 will apply for annual periods beginning on or after 1 January 2009, with earlier application permitted.

For further information on the amendments to IFRS 1 and IAS 27, see the project Website on www.iasb.org.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate is available for eIFRS subscribers from today. Printed copies (ISBN 978-1-905590-63-6) will be available shortly, at £15 plus shipping, from the IASC Foundation Publications Department. Those wishing to subscribe to eIFRSs should visit the online shop at www.iasb.org or contact:

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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.