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***Le Président***
**JFL/MPC**

**n° 11**

PARIS, 8TH JANUARY 2008

**Project Manager on Annual Improvements project**

**IASB**

**30 Cannon Street**

**London EC4M 6XH**

**United Kingdom**

Re : Exposure Draft of Proposed Improvements to International Financial Reporting Standards

Dear Sir or Madam,

I am writing on behalf the Conseil National de la Comptabilité (CNC) to express our views on the above-mentioned Exposure Draft. Our answers to the 41 questions are set out in the Appendix.

## 1. Proposed amendments forming part of the improvement process

The CNC approves of the IASB's initiative of issuing each year an Exposure Draft of proposed minor changes to existing standards. Nevertheless, considering the nature of the proposed modifications included in the first Exposure Draft, the CNC questions whether certain of the proposals are really consistent with the limited objectives apparently fixed for "Improvements to IFRS". The CNC suggests that the IASB should think further about the objectives of this type of Exposure Draft and how they fit into the interpretation process.

The CNC has the following remarks in this respect :

1/ The first objective should be to update the existing standard, by eliminating, for example, any obsolete requirements, and, to clarify the existing standard by removing any inconsistency within the standard or within several standards.

These objectives have been achieved for the majority of the proposed amendments. Nevertheless, the proposed improvements of IAS 1 relating to the "statement of compliance with IFRSs" is not in this category (see below).

2/ The second objective should be to complete the interpretation process when the latter has considered that an interpretation could not be carried out without changing standards. The possible presentation of limited changes to IFRSs as part of the finalisation of the interpretation process should be considered taking into account the importance and the urgency of users' needs for an interpretation, as well as the effects of a change in standards on subjects outside the scope of the interpretation and the possible interactions with other current projects. For example, we believe that the amendments relating to advertising and promotional activities in IAS 38 and those with respect to the definition of derivatives might have consequences that go beyond the scope of the related amendments and should not have been retained for inclusion in this Exposure Draft (see below).

The clarification of the objectives should make it possible to exclude from "Improvements" subjects of such importance that they would justify an Exposure Draft in their own right for a particular standard, and therefore would probably benefit from a deeper due process as compared to the one that is carried out for a single amendment in an Exposure Draft that regroups more than forty of them.

**2. Date of application of the future standard "Improvements to IFRSs"**

The CNC disagrees with the proposed requirement for application by anticipation of the future standard of "Improvements to IFRSs", considering that

- the amendments are not inter-related
- it appears unreasonable to fix conditions for anticipated application of certain amendments which are the finalisation of IFRIC interpretations with respect to divergent practices for which practitioners expect quick resolution.

Consequently, the possibility of anticipated application should be allowed improvement by improvement and not as a general condition for all improvements.

Moreover, the fact that the amendments are drawn up using the terminology of the new standard IAS 1 should not lead to anticipated application of each improvement being linked to the anticipated application of IAS 1.

**3. Proposed improvement of IAS 1 relating to the "statement of compliance with IFRSs"**

The CNC does not agree with the proposed improvement of IAS 1 relating to the « statement of compliance with IFRSs ».

While the CNC understands the issue presented, we consider that this proposed amendment raises questions of more fundamental importance and may lead to unanticipated results. We, therefore, believe that this subject does not have its place in the improvement process of standards and should be first discussed with the regulators as to better define its scope and its practical implementation.

**4. Proposed improvement of IAS 39 with respect to the definition of derivatives**

The CNC disagrees with the proposed modification of the definition of derivatives which eliminates the reference to non-financial variables.

The CNC considers that the consequences of such a change should be assessed before proceeding with any modification of IAS 39, because this amendment is likely to have important consequences on the designation and measurement of these contracts.

The CNC considers that this proposed amendment should not be treated in an Exposure Draft on improvements, but should be dealt with as an amendment of IAS 39 in its own right.

**5. Proposed improvement to IAS 38 on advertising and promotional activities**

The CNC believes that the proposed amendment of IAS 38 regarding the advertising and promotional activities is not a minor one within the scope of the annual improvements process. Instead, the CNC considers that the issue of when it is appropriate to recognise an expense or an asset with respect to an expenditure should be the subject of a separate Exposure Draft to enable full debate of the issues.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

Jean-François Lepetit

## Responses to the invitation to comment

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

**Issue 1: Restructuring of IFRS 1**

**Question 1**

Do you agree with the Board's proposed restructuring of IFRS 1? If not, why?

The CNC agrees with the proposed amendment.

### IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

**Issue 2: Plan to sell the controlling interest in a subsidiary**

**Question 2**

Do you agree with the proposal to add paragraph 8A to IFRS 5 to clarify that assets and liabilities of a subsidiary should be classified as held for sale if the parent has a sale plan involving loss of control of the subsidiary? If not, why?

The CNC agrees with the clarification which eliminates ambiguity on this subject.

The CNC suggests that the amendment should also stipulate how the income statement of discontinued operations in which the vendor retains joint control or significant influence should be presented.

In addition, given the probable difference in timing between the date of application of this amendment and the future standards (revised IAS 27 and revised IFRS 3) which will allow a full de-recognition of the investment followed by a reinvestment, the CNC considers that the amendment should be completed to deal in the meantime with questions about the measurement of the retained portion of the investment after loss of control.

Otherwise, the CNC considers that this amendment could not be applied before the application date of the future standards mentioned in the above paragraph.

### IFRS 7 *Financial Instruments: Disclosures*

**Issue 3: Presentation of finance costs**

**Question 3**

The Board proposes to amend paragraph IG13 of IFRS 7 *Financial Instruments: Di*sclosures to resolve the potential conflict with IAS 1. Do you agree with the proposal? If not, why?

The CNC agrees with the proposed amendment.

**IAS 1** ***Presentation of Financial Statements***

**Issue 4: Statement of compliance with IFRSs**

**Question 4**

Do you agree with the proposal to require an entity that cannot make an unreserved statement of compliance with IFRSs to describe how its financial statements would have been different if prepared in full compliance with IFRSs? If not, why?

The CNC does not agree with the proposed improvement of IAS 1 relating to the "statement of compliance with IFRSs".

While the CNC understands the issue presented, we consider that this proposed amendment raises questions of more fundamental importance and may lead to unanticipated results. We, therefore, believe that this subject does not have its place in the improvement process of standards and should be first discussed with the regulators as to better define its scope and its practical implementation.

**Issue 5: Current/non-current classification of convertible instruments**

**Question 5**

Do you agree with the proposal to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current? If not, why?

The CNC agrees that the potential settlement of a liability by the issue of equity is not relevant to its classification as current, because such a settlement is not an outflow of resources.

However, we believe the amendment should also consider the other two types of settlement mentioned in the *Framework for the Preparation and Presentation of Financial Statements* (the Framework) paragraph 62. The Framework identifies five types of examples for settlement – payment of cash, transfer of other assets, provision of services, replacement of the obligation with another obligation, and the conversion of the obligation to equity. We believe the amendment to IAS 1 should include reference to settlement by way of provision of services and replacement of the obligation with another obligation. This would clarify that all examples of settlement included in the Framework will result in the classification of a liability as current, except for the settlement by way of conversion to equity.

**Issue 6: Current/non-current classification of derivatives**

**Question 6**

Do you agree with the proposal to amend the examples in paragraphs 68 and 71 of IAS 1 to remove the potential implication that financial assets and financial liabilities that are classified as held for trading in accordance with IAS 39 are required to be presented as current? If not, why?

The CNC agrees with the proposed amendment.

**IAS 8** ***Accounting Policies, Changes in Accounting Estimates and Errors***

**Issue 7: Status of implementation guidance**

**Question 7**

Do you agree with the proposal to amend paragraphs 7, 9 and 11 of IAS 8 to clarify the status of implementation guidance? If not, why?

The CNC agrees with the proposed amendment.

**IAS 10** ***Events after the Reporting Period***

**Issue 8: Dividends declared after the end of the reporting period**

**Question 8**

Do you agree with the proposal to amend paragraph 13 of IAS 10 to clarify why a dividend declared after the reporting period does not result in the recognition of a liability at the end of the reporting period? If not, why?

The CNC does not agree with the proposed amendment.

Although the CNC agrees both with the objective of the amendment and the conclusion reached in IAS 10.BC4 for an established fact pattern of paying dividends, the CNC believes that deleting the reference to IAS 37 and replacing it by a rule-based statement in IAS 10.13 does not improve the quality of the standard. On the contrary, the CNC believes that the conclusion reached by the Board on the issue in BC4 is based on the definition of a constructive obligation in current IAS 37. Therefore the existing IAS 10.13 should be sufficient to resolve this issue. Finally, as the definition of a constructive obligation is still under investigation by the IASB, we believe this issue of an established fact pattern of paying dividends should not be answered separately from the outcome of the conceptual review of what is a constructive obligation.

**IAS 16** ***Property, Plant and Equipment***

**Issue 9: Recoverable amount**

**Question 9**

Should the definition of recoverable amount in IAS 16 be amended to remove the perceived inconsistency with 'recoverable amount' used in other IFRSs? If not, why?

The CNC questions the usefulness of this amendment and considers that the removal of any mention in IAS 16 would be simpler as this subject is dealt with in detail in IAS 36.

**Issue 10: Sale of assets held for rental**

**Question 10**

Do you agree with the proposal to amend paragraph 68 of IAS 16 and paragraph 14 of IAS 7? If not, why?

The CNC agrees with the proposal to present the sale of these assets in "revenue".

The CNC also agrees with reclassifying the assets in stock before disposal.

However, the CNC disagrees with the presentation of sales cash flows in "operating activities". As cash flows from purchasing or production of fixed assets are "investing activities", the classification of sales cash flows in "operating activities" would create a mismatch detrimental to the understanding of the sub-totals by activity in the cash flow statement.

## IAS 17 *Leases*

### Issue 11: Classification of leases of land and buildings

**Question 11**

Do you agree with the proposal to amend paragraphs 14 and 15 of IAS 17 to eliminate a perceived inconsistency between the specific classification guidance for leases of land and buildings and the general lease classification guidance in IAS 17? If not, why?

The CNC does not agree with the proposal to delete the specific guidance in paragraphs 14 and 15 of IAS 17 relating to the classification of leases of land.

This guidance was specifically included in the Standard as a result of the 2003 Improvements Project (BC4 to BC8 [1]) with the express purpose of clarifying the classification of leases of land vis-à-vis the general criteria for lease classification per the Standard. We do not perceive the guidance as misleading. On the contrary, it is clear, especially when read in conjunction with the Basis of Conclusions to the 2003 Improvements Project, in as far as it relates to the changes made to IAS 17.

The CNC believes that the proposed amendment has far-reaching consequences and would require many IFRS issuers to revisit the accounting they have applied since the 2003 revision.

### Issue 12: Contingent rents

**Question 12**

Do you agree with the proposal that contingent rent relating to an operating lease should be recognised as incurred? If not, why?

The CNC agrees with the proposed amendment.

## IAS 18 *Revenue*

### Issue 13: Costs of originating a loan

**Question 13**

Do you agree with the proposed amendment to the guidance on IAS 18 to explain that the definition of the transaction costs to be applied to the accounting for financial asset origination fees are those defined in IAS 39? If not, why?

The CNC agrees with the proposed amendment.

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[1] BC8 *The Board also discussed a third approach, namely whether to delete the requirement (in paragraph 14 of the Standard) normally to classify a lease of land as an operating lease when title does not pass at the end of the lease and to require such a lease to be classified as a finance lease when all other conditions for finance lease classification in the Standard are met. The Board noted that such an accounting treatment would conflict with the criteria for lease classification in the Standard, which are based on the extent to which the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Indeed, land normally has an indefinite economic life and hence there are significant risks and rewards associated with the land at the end of the lease term, which do not pass to the lessee. Therefore, the Board rejected this approach.*

**IAS 19 *Employee Benefits***

**Issue 14: Curtailments and negative past service cost**

**Question 14**

(a) Do you agree that IAS 19 should be amended to clarify that when a plan amendment reduces benefits for future service, the reduction relating to future service is a curtailment and any reduction relating to past service is negative past service cost? If not, why?

The CNC agrees with the proposal of IASB to clarify the definitions of past services costs and curtailment, in order that only an amendment which reduces the existing benefits is accounted for as past service costs.

However, the CNC thinks the change envisaged in the proposal is not sufficient to reduce the variety in accounting. Additional guidance and examples should be provided. If it is not possible within the timeframe of the annual improvement project, then the CNC would prefer this amendment not to be dealt within this project and referred to the Board for consideration in its employee benefit project.

(b) Do you agree that the Board should delete the following sentence from paragraph 111 of IAS 19: 'An event is material enough to qualify as a curtailment if the recognition of a curtailment gain or loss would have a material effect on the financial statements.'? If not, why?

The CNC agrees to delete the sentence on materiality in paragraph 111 of IAS 19.

**Issue 15: Plan administration costs**

**Question 15**

Do you agree with the proposal to amend the definition of return on plan assets in paragraph 7 of IAS 19 to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the measurement of the defined benefit obligation? If not, why?

The CNC is in agreement with the proposed change in the definition of return of plan assets, which is consistent with IAS 19.107.

**Issue 16: Replacement of term 'fall due'**

**Question 16**

Do you agree with the proposal to replace in IAS 19 the term 'fall due' with the notion of employee entitlement in the definitions of short-term employee benefits and other long-term employee benefits? If not, why ?

The CNC agrees that there is an inconsistency in the definition of "short term benefits" (IAS 19.8) and "other long term benefits" (IAS 19.7). The appropriate criteria to be used in both definitions is the date when the employee has acquired the right to the benefit (entitlement) whatever the period during which the employee is expected to exercise his right to the benefit. As a consequence, the CNC agrees with the proposed changes.

However, the CNC believes that the Board should:

- clarify the notion of entitlement in IAS 19.7 and state whether there is a difference between a "benefit to which an employee becomes "entitled" and a "vested benefit". We understand that entitlement means the employee has an unconditional right to a compensation at the end of the period, and therefore is equivalent to fully vested

- explain how the terms “within twelve months” interact with entitlement, as we believe the two may appear conflicting with each other. Our understanding is that deleting the words “within twelve months” would better reflect the Board’s intent
- assure that there is no other impacts in the standard, as this change in the criteria used to discriminate “short-term benefits” and “other long-term benefits” could have consequences on measurement for “short term benefits”, as shown in the example below.

As an example, when an employee is granted a bonus that is only payable three years after the date of grant, how should this benefit be considered at the end of the first period after the grant date?

If we assume that no other vesting condition exists, this benefit is a short term benefit as the employee has an unconditional right to that compensation (he is entitled). The entity has a non current liability that should be measured at present value, while guidance on “short term benefits” refers to undiscounted measurement. In the current IAS 19, such benefit is an “other long-term benefit”.

If, on the contrary, the bonus is only payable if the employee remains in service during the three years after the date of grant, this is a long term benefit as the employee does not have an unconditional right (he is not entitled). The entity will measure this benefit using an actuarial valuation method and allocate it over the vesting period. In this case, there is no change as compared to current IAS 19.

**Issue 17: Guidance on contingent liabilities**

**Question 17**

Should the reference in IAS 19 to recognising contingent liabilities be removed? If not, why?

The CNC agrees with the deletion of any reference to recognition in paragraphs of IAS 19 relating to contingent liabilities.

**IAS 20** ***Accounting for Government Grants and Disclosure of Government Assistance***

**Issue 18: Consistency of terminology with other IFRSs**

**Question 18**

Do you agree with the proposal to conform terminology used by IAS 20 to the equivalent defined or more widely used terms? If not, why?

The CNC agrees with the proposed amendment.

**Issue 19: Government loans with a below-market rate of interest**

**Question 19**

Do you agree with the proposed amendments to IAS 20 to clarify that the benefit of a loan received from a government with a below-market rate of interest should be quantified by the imputation of interest in accordance with IAS 39? If not, why?

The CNC agrees with the proposed amendment.

Nevertheless, the CNC notes the difficulties for determining a benchmark market rate when the borrowings incorporate specific conditions and (or) restrictions to use the funds.

**IAS 23 *Borrowing Costs***

**Issue 20: Components of borrowing costs**

**Question 20**

Do you agree with the proposal to amend paragraph 6 of IAS 23 to reference to the guidance in IAS 39 Financial Instruments: Recognition and Measurement relating to effective interest rate when describing the components of borrowing costs? If not, why?

The CNC does not agree with the proposed amendment.

The CNC noted that revising IAS 23, the question of the "ancillary costs" was debated by the Board (Project Update of March 2006). This concept was finally kept in the revised standard even though it was not in agreement with equivalent definition in SFAS 34. The CNC questions why the IASB, just after the issuance of the revised IAS 23 in March 2007, proposes to modify this reference to "ancillary costs".

The CNC believes that the notion of "costs directly attributable" outlined in IAS 23 is consistent with criteria for costs capitalisation in IAS 16, IAS 11 and IAS 2, and therefore fully supports the use of "ancillary costs" in IAS 23.

**IAS 27 *Consolidated and Separate Financial Statements***

**Issue 21: Measurement of subsidiary held for sale in separate financial statements**

**Question 21**

Do you agree with the proposal to require investments in subsidiaries that are accounted for in accordance with IAS 39 in the parent's separate financial statements to continue to be accounted for on that basis when classified as held for sale (or included in a disposal group that is classified as held for sale)? If not, why?

The CNC agrees with the proposed amendment.

**IAS 28 *Investments in Associates***

**Issue 22: Required disclosures when investments in associates are accounted for at fair value through profit or loss**

**Question 22**

Do you agree with the proposal to clarify the disclosures required of an investor in an associate that accounts for its interest in the associate at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?

The CNC does not agree with the proposed amendment. Investments in associates accounted for at fair value in accordance with IAS 39 were specifically excluded from the scope of IAS 28 as part of the 2003 Improvements Project. The reason being those as documented in BC 5 and BC 7[2] of that standard.

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[2] *BC5 The Board considered whether another approach is appropriate for these investors when they have joint control or significant influence over their investees.* ***The Board noted that use of the equity or proportionate consolidation methods for investments held by venture capital organisations, mutual funds, unit trusts and***

Accordingly, it appears that the Board considers such investments to have similar characteristics to those displayed by other financial instruments included in the scope of IAS 39.

This being the case, the CNC questions whether, given that this information is not currently required for other financial instruments within the scope of IAS 39, it is indeed useful to require such information to be provided by holders of such instruments.

**Issue 23: Impairment of investment in associate**

**Question 23**

Do you agree with the proposal to amend paragraph 33 of IAS 28 to clarify the circumstances in which an impairment charge against an investment in an associate should be reversed? If not, why?

The CNC agrees with the proposed amendment.

**IAS 29 *Financial Reporting in Hyperinflationary Economies***

**Issue 24: Consistency of terminology with other IFRSs**

**Question 24**

Do you agree with the proposal to update the description of historical cost financial statements in paragraph 6 IAS 29 and to conform terminology in IAS 29 to the equivalent defined or more widely used terms? If not, why?

The CNC agrees with the proposed amendment.

**IAS 31 *Interests in Joint Ventures***

**Issue 25: Required disclosures when interests in jointly controlled entities are ac-counted for at fair value through profit or loss**

**Question 25**

Do you agree with the proposal to clarify the disclosures required of a venturer in a jointly controlled entity that accounts for its interest in the jointly controlled entity at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?

The CNC does not agree with the proposed amendment. Please refer to our answer to Question 22.

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***similar entities often produces information that is not relevant to their management and investors and that fair value measurement produces more relevant information.[emphasis added]***

*BC7 Accordingly, the Board decided that investments held by venture capital organisations, mutual funds, unit trusts and similar entities including investment-linked insurance funds should be excluded from the scope of IAS 28 and IAS 31 when they are measured at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The Board understands that fair value information is often readily available because fair value measurement is a well-established practice in these industries including for investments in entities in the early stages of their development or in non-listed entities.[emphasis added]*

**IAS 34** ***Interim Financial Reporting***

**Issue 26: Earnings per share disclosures in interim financial reports**

**Question 26**

Do you agree with the proposal to amend paragraph 11 of IAS 34 to require the presentation of basic and diluted earnings per share only when the entity is within the scope of IAS 33? If not, why?

The CNC agrees with the proposed amendment.

**IAS 36** ***Impairment of Assets***

**Issue 27: Disclosure of estimates used to determine recoverable amount**

**Question 27**

Do you agree with the proposal to amend paragraph 134(e) of IAS 36 to require the same disclosures to be given for fair value less costs to sell as are required for value in use when discounted cash flows are used to calculate fair value less costs to sell? If not, why?

The CNC agrees with the proposed amendment.

**IAS 38** ***Intangible Assets***

**Issue 28: Advertising and promotional activities**

**Question 28**

(a) Do you agree that IAS 38 should emphasise that an entity should recognise expenditure on an intangible item as an expense when it has access to the goods or has received the services? If not, why?

(b) Do you agree that paragraph 70 of IAS 38 should be amended to allow an entity to recognise a prepayment only until it has access to the related goods or has received the related services? If not, why?

The CNC does not agree with the proposed amendment.

This is an area where there is divergent practice and it touches on a more fundamental question relating to the distinction between an expense and an asset, which is not limited to IAS 38.

For example, the proposed guidance would require a retailer who distributes catalogues (mail order selling) to its customers to recognise an expense when it has access to those catalogues, although those catalogues arguably meet the definition of an asset until they are distributed to customers. The same could be argued for samples distributed to customers upon launch of a new product.

Therefore, we do not believe that this is a minor amendment within the scope of the annual improvements process. Instead, we believe that the issue of when it is appropriate to recognise an expense or an asset with respect to an expenditure should be the subject of a separate Exposure Draft to enable full debate of the issues.

We further note that in setting out a 'bright line' as to when an expense or asset should be recognised, this may encourage entities to structure transactions so as to fit that 'bright line' rather than accounting for transactions on the basis of their substance. Referring back to the above catalogue example, a retailer could merely structure delivery to reflect the point in time at which it wished to recognise an expense rather than when the catalogues ceased to be an asset.

In addition, we support the alternative view expressed in the Exposure Draft.

**Issue 29: Unit of production method of amortisation**

**Question 29**

Do you agree with the proposal to remove the last sentence of paragraph 98 of IAS 38 regarding the amortisation method used for intangible assets? If not, why ?

The CNC agrees with the proposal to remove the last sentence of paragraph 98 of IAS 38.

We, however, find that its usefulness is limited by virtue of the fact that the notion of « expected pattern of consumption of the expected future benefits » has been neither clarified nor defined. This poses significant practical difficulties for preparers, especially when the quantity of “expected future benefits” is indefinite.

For example, in the case of a bridge constructed under a concession contract, which has been classified according to the intangible model proposed by IFRIC 12 *Service Concessions*, traffic at the beginning of the contract is considerably lower to that at the end of the contract as drivers become accustomed to taking a new route. In the case of a contract whose duration is based on a predefined number of cars crossing the bridge, it would seem appropriate to consider the number of cars using the bridge as the unit of production for purposes of amortising the intangible asset. However, should the contract have a duration based on a number of years, e.g. 10 years, but nevertheless having a lower volume of traffic at the beginning, would the Board, in light of the proposed amendment, still consider the number of cars crossing the bridge an appropriate measure of unit of production or would it be the number of years of the contract?

**IAS 39 *Financial Instruments : Recognition and Measurement***

**Issue 30: Definition of a derivative**

**Question 30**

Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

The CNC disagrees with the proposed modification of the definition of derivatives which eliminates the reference to non-financial variables.

The CNC considers that the consequences of such a change should be assessed before proceeding with any modification of IAS 39. As a certain number of debt instruments are indexed to non-financial variables (“covenants”), this amendment is likely to have important consequences on the designation and measurement of these contracts.

The CNC considers that this proposed amendment should not be treated in an Exposure Draft on improvements, but should be dealt with as an amendment of IAS 39 in its own right.

**Issue 31: Reclassification of derivatives into or out of the classification of at fair value through profit or loss**

**Question 31**

*(a)* Do you agree with the proposal to amend IAS 39 to clarify definitions of a financial instrument classified as held for trading? If not, why?

*(b)* Do you agree with the proposal to insert in IAS 39 paragraph 50A to clarify the changes in circumstances that are not reclassifications into or out of the fair value through profit or loss category? If not, why?

The CNC agrees with the proposed amendment.

**Issue 32: Designating and documenting hedges at the segment level**

**Question 32**

Do you agree with the proposal to amend paragraph 73 of IAS 39 to remove the references to segments and segment reporting? If not, why?

The CNC agrees with the proposed amendment.

**Issue 33: Applicable effective interest rate on cessation of fair value hedge accounting**

**Question 33**

Do you agree with the proposal to amend paragraph AG8 of IAS 39 to clarify that the revised effective interest rate calculated in accordance with paragraph 92 shall be used, when applicable, for the purposes of the remeasurement of the financial instrument in accordance with paragraph AG8? If not, why?

The CNC agrees with the proposed amendment.

**Issue 34: Treating loan prepayment penalties as closely related embedded derivatives**

**Question 34**

Do you agree with the proposal to amend paragraph AG30(g) of IAS 39 to clarify that prepayment options, the exercise price of which compensate the lender for loss of interest by reducing the economic loss from reinvestment risk, as described in paragraph AG33(a), are closely related to the host debt contract? If not, why?

The CNC agrees with the proposed amendment.

**IAS 40 *Investment Property***

**Issue 35: Property under construction or development for future use as investment property**

**Question 35**

The exposure draft proposes to include property under construction or development for future use as an investment property within the scope of IAS 40. Do you agree with the proposal? If not, why?

The CNC agrees with the proposed amendment.

However, the amendment raises additional questions of assets under construction falling into the scope of IAS 16. We request that the Board clarifies which method under IAS 16 should be applied in measuring such assets (cost or revalued amount).

**Issue 36: Consistency of terminology with IAS 8**

**Question 36**

Do you agree with the proposal to conform terminology used in paragraph 31 of IAS 40 to the terminology used in IAS 8? If not, why?

The CNC agrees with the proposed amendment.

**Issue 37: Investment property held under lease**

**Question 37**

Should paragraph 50(d) of IAS 40 be amended to clarify the accounting for investment property held under a lease? If not, why?

The CNC agrees with the proposed amendment.

**IAS 41 *Agriculture***

**Issue 38: Point-of-sale costs**

**Question 38**

Do you agree with the proposal to replace the terms 'point-of-sale costs' and 'estimated point-of-sale costs' in IAS 41 with 'costs to sell'? If not, why?

The CNC agrees with the proposed amendment.

Nevertheless, it notes that BC 4 which states that *"the word "incremental" in the definition of 'costs to sell' excludes costs included in fair value measurement of a biological asset such as transport costs'* is unclear. It would have been preferable to mention, as stated in IAS 41.B22, that 'costs to sell' *"exclude transport and other costs necessary to get assets to a market. Such transport and other costs are deducted in determining fair value (that is, fair value is a market price less transport and other costs necessary to get an asset to a market)"*.

**Issue 39: Discount rate for fair value calculations**

**Question 39**

Do you agree with the proposed amendment to IAS 41 to permit either a pre-tax or a post-tax discount rate to be used according to the valuation methodology used to determine fair value? If not, why?

The CNC agrees with the proposed amendment.

In addition, we question whether this modification on a post-tax discount rate should not be extended to IAS 36 as this should ensure better consistency in the concept applied.

**Issue 40: Additional biological transformation**

**Question 40**

Do you agree with the proposal to remove the exclusion of 'additional biological transformation' from paragraph 21 of IAS 41? If not, why?

The CNC agrees with the proposed amendment.

**Issue 41: Examples of agricultural produce and products**

**Question 41**

Do you agree with the proposed amendments to the examples in paragraph 4 of IAS 41? If not, why?

The CNC agrees with the proposed amendment.