



Accounting Standards Board

Aldwych House, 71-91 Aldwych, London WC2B 4HN
Telephone: 020 7492 2300 Fax: 020 7492 2399

www.frc.org.uk/asm



Françoise Flores
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels
Belgium

E-mail: Commentletter@efrag.org

21 December 2011

Dear Françoise

EFRAG Draft Comment Letter on the IASB Exposure Draft ED/2011/5 *Government Loans*

Thank you for providing the UK Accounting Standards Board (ASB) with the opportunity to comment on your draft comment letter (DCL) to the International Accounting Standards Board's (IASB's) Exposure Draft ED/2011/5 *Government Loans*.

The ASB disagrees with the view in the EFRAG DCL that relief from retrospective application of the requirements of paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* should be restricted to those entities whose previous national GAAP required such loans to be recognised as liabilities.

The ASB considers the reason the IASB is proposing such relief is because the necessary fair value information may not be available for the requirement to be applied retrospectively. Therefore, the ASB does not see that this situation would be any different because a previous GAAP did not require such loans to be recognised as a liability, therefore the relief should apply to all such loans existing at the time of transition.

Our response to the IASB on this ED is attached for your information.

Should you have any queries regarding this response please contact me or Joanna Spencer, Project Director on +44 207 492 2428 or by email j.spencer@frc-asb.org.uk.

Yours sincerely

Roger Marshall
Chairman

DDI: 020 7492 2440

Email: r.marshall@frc-asb.org.uk



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Hans Hoogervorst
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

21 December 2011

Dear Hans

Re IASB Exposure Draft ED/2011/5 *Government Loans*

This letter sets out the comments of the UK Accounting Standards Board (ASB) on the IASB Exposure Draft (ED) ED/2011/5 *Government Loans*.

The ASB supports the proposal not to require retrospective application of paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* by first-time adopters of IFRSs.

We do however suggest that the wording in paragraph B10 of the ED be amended to delete the reference to IFRS 9 *Financial Instruments* because as currently worded it may indicate the exemption for retrospective application applies to any loan recognised under IFRS 9 and not to those loans recognised as a result of paragraph 10A of IAS 20.

Our detailed response to the questions in the ED is included in the Appendix attached to this letter.

If you would like to discuss these comments, please contact me or Joanna Spencer on 020 7492 2428 or at j.spencer@frc-asb.org.uk.

Yours sincerely

Roger Marshall
Chairman

DDI: 020 7492 2440

Email: r.marshall@frc-asb.org.uk

Responses to questions set out in the ED

Question 1

The Board proposes to amend IFRS 1 so that first-time adopters would be required to apply paragraph 10A of IAS 20 prospectively to loans entered into on or after the date of transition to IFRSs, unless the information needed to apply these requirements to a government loan as a result of a past transaction was obtained at the time of initially accounting for the loan. Do you agree? Why or why not?

Yes. The ASB supports restricting the application of paragraph 10A of IAS 20 to those loans entered in or after transition unless information pertaining to the fair value of the loan was available at the time the loan was entered into.

Question 2

Do you have any other comments on the proposals?

Yes. The ASB considers that the wording in proposed paragraph B10 needs to delete the reference to IFRS 9. At the moment, the first sentence could be misinterpreted to imply that the exemption from retrospective application applies to all loans recognised under IFRS 9 and not those that are recognised as a result of IAS 20 paragraph 10A.