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Mr Stig Enevoldsen
Chairman
EFRAG Technical Expert Group
13-14, Avenue des Arts
B-1210 Brussels

Berlin, 4 January 2008

Dear Stig,

Exposure Draft of Proposed Improvements to International Financial Reporting Standards

We appreciate the opportunity to respond to EFRAG's draft comment letter on the IASB's Exposure Draft of Proposed Improvements to International Financial Reporting Standards (the "DCL"). This letter represents the view of the German Accounting Standards Board.

As a result of our considerations, we support EFRAG's proposal for a comment letter in general. We are, in particular, in favour of the 'higher level comments' given by EFRAG in the first part of its comment letter regarding the Annual Improvements Process in general and regarding the kind of amendments qualifying for this project. This means that we also generally support the new IASB project 'Annual Improvements Process' because it offers a streamlined process for dealing with necessary 'non-urgent minor amendments' on a regular basis. However, the GASB also takes the view that it is very important to use the Annual Improvements Process project only for the right kind of amendments. What we deem to be 'right kind of amendments' is laid out in the first part of our comment letter to IASB, which we attach to this letter.

On the following issues we do not agree with EFRAG's draft comments:

- Issue 3: IFRS 7 – Presentation of finance costs
- Issue 4: IAS 1 – Statement of compliance with IFRSs
- Issue 10: IAS 16 – Sale of assets held for rental

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- Issue 11: IAS 17 – Classification of leases of land and buildings
- Issue 16: IAS 19 – Replacement of the term ‘fall due’
- Issue 38: IAS 41 – Point-of-sale costs
- Issue 40: IAS 41 – Additional biological transformation.

For detailed comments on the above-mentioned issues we refer to the appendix to this letter, i.e. our comment letter to IASB. With regard to the five questions raised by EFRAG in its DCL we refer to the second part to this letter.

If you would like to discuss any aspects of this letter in more detail, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President



Issue 10: IAS 16 – Sale of assets held for rental

EFRAG would particularly welcome your comments on the views expressed on the changes to IAS 7. Is the asymmetry described a concern?

EFRAG is also concerned about whether it is appropriate to make a change of this kind through the Annual Improvements Project. Do you have a view on this issue?

For detailed comments on the proposed amendment to IAS 16 we refer to pages 6 et seq. of our comment letter to IASB.

In brief, we disagree with the proposed amendment to IAS 16 because it would introduce a rule to the Standard. However, we understand and – like EFRAG – basically agree with the IASB's rationale for this amendment. We, therefore, ask the IASB to reconsider the proposal in a wider context, particularly in respect of other business models with 'dual intention assets' than only those that are based on renting and subsequently selling an asset. Additionally, we think that the proposed amendment does not represent a minor change, as it affects a basic principle of IAS 16.

Consequently, we also disagree with the consequential amendment to IAS 7. Furthermore, we take the view that such amendment should be postponed until the complete project on Financial Statement Presentation has been finalised.

Issue 19: IAS 20 – Government loans with a below-market rate of interest

Do you agree that the IASB should be asked to include additional guidance on the issues referred to above?

Are there any other situations, concerning the requirement to impute interest on government loans, where in your view application guidance is needed?

We agree with EFRAG's suggestion to ask the IASB for additional application guidance on how the requirement should be applied by entities that receive financial support from the government in form of a low interest loan because we see – like EFRAG – that it might be difficult for some entities to determine a market rate of interest for a particular loan in certain circumstances. Additionally, we would like to note that such application guidance might even be helpful in other cases where IFRSs require determining a market rate of interest.



Issue 28: IAS 38 – Advertising and promotional activities

The Annual Improvements process is supposed to be used for relatively minor changes in accounting standards; more substantial changes to IFRS should be the subject of standalone amendments projects. We would welcome views as to whether this proposed amendment is a minor amendment. For example, do you believe it will change practice significantly?

We do not believe that the proposed amendment will change practice significantly. We consider this amendment a meaningful clarification which is appropriately addressed as part of the Annual Improvements Process. Hence, we agree with the proposed amendment; with regard to paragraph 70, we provide additional remarks laid out in our comment letter to IASB, pages 15 et seq.

Issue 30: IAS 39 – Definition of a derivative

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?

We do not agree with the proposed amendment to remove from the definition of a derivative in IAS 39 the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract. We also – like EFRAG – take the view that the implications of this proposal have not been considered sufficiently. We furthermore believe that this amendment is not a minor change to be addressed as part of the Annual Improvements Process project. For detailed comments on the IASB proposal we refer to pages 16 et seq. of our comment letter to IASB.

Issue 35: IAS 40 – Property under construction or development for future use as investment property

EFRAG would particularly welcome your comments on the views expressed on the possibility to revalue assets under construction under IAS 16.

Do you believe that such a possible change of substance should be part of the annual improvement project?

We do not agree with the proposed amendment regarding property under construction or development for future use as investment property because we consider this amendment not to be a minor amendment. For detailed comments on the proposal we refer to our comment letter to IASB, pages 18 et seq.