

30 November 2010

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: CommentLetters@iasb.org)

Dear Sirs,

RESPONSE TO EXPOSURE DRAFT – DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS (PROPOSED AMENDMENTS TO IAS 12)

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the above exposure draft (ED) issued by the International Accounting Standards Board (IASB) in September 2010.

We agree and strongly support the Board's proposals in the ED with regards to the exception to the measurement principle, scope of the exception and measurement basis used in the exception. Our comments mainly relate to the proposed transition arrangements as follows:

Question 4 - Transition

The Board proposes that the amendments should apply retrospectively. This requirement includes retrospective restatement of all deferred tax liabilities or deferred tax assets within the scope of the proposed amendments, including those that were initially recognised in a business combination. Do you agree with the retrospective application of the proposed amendments to IAS 12 to all deferred tax liabilities or deferred tax assets, including those that were recognised in a business combination? Why or why not? If not, what transition method do you propose and why?

We are of the view that a retrospective application of the proposed amendments to all deferred tax liabilities or deferred tax assets, including those that were initially recognized in a business combination, may not be practical in all circumstances. The key concern is that in some situations, there may be practical constraints in retrospective application for business combinations that occurred in the prior periods. For example, the restatement of deferred tax liabilities or deferred tax assets would have an impact on goodwill. For certain business combinations, goodwill initially recognised could have been allocated to various cash-generating units, the composition of which could have subsequently changed due to reorganisation, and hence it may be impracticable to retrospectively reallocate the adjustment

to the respective cash-generating units. In other cases, an entity may not have recognised goodwill in a business combination and the retrospective application of the proposed amendments could result in the recognition of both deferred tax liabilities and goodwill. Impairment testing of goodwill retrospectively would be problematic since information may no longer be obtainable and it could be impossible to separate the effects of hindsight from the factors existing at the date of impairment test. As such, we are of the view that the following transitional provision should be included:

“In situations when it is impracticable to determine the cumulative effect of the retrospective application of the amendments for business combinations that occurred in the prior periods, the entity shall apply the amendments prospectively to deferred tax liabilities or deferred tax assets for those business combinations for annual periods beginning on or after [date to be inserted after exposure].

If retrospective application required by paragraph [x] is impracticable for a particular business combination that occurred in the prior period, the circumstances that led to the existence of that condition and a description of how the transitional provision has been applied should be disclosed.”

Should you require any further clarification, please feel free to contact Ms Grace Chua, Technical Manager, from ICPAS via email at grace.chua@icpas.org.sg.

Yours faithfully,



Janet Tan
Executive Director