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Berlin, 26. February 2008

Dear Stig,

Exposure Draft of Proposed Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

We appreciate the opportunity to comment on the EFRAG's Draft Comment Letter to the International Accounting Standards Board's Exposure Draft of Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standard and IAS 27 Consolidated and Separated Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. This letter represents the view of the German Accounting Standards Board (GASB).

Regarding your questions on pages 5 and 6 of your draft comment letter we have the following comments:

Your questions on page 5:

- 1. Do you believe mandatory impairment test of the investment of each payment of dividend as currently drafted will be unduly burdensome or will it in practice not be a problem?*
- 2. If you think a mandatory impairment test will be unduly burdensome, how do you suggest that the IASB restricts the possibility that dividends are not recognised as income when they are returns of the investment (rather than on the investment)?*

We have concerns regarding the mandatory impairment test. In GASB's view the mandatory impairment test is more costly and burdensome than differentiation of dividends under the previous requirements. Requiring a mandatory impairment test would result in extensive work for the reporting entity regardless of whether, an

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impairment as the result of the dividend distribution is likely or not. The simplification proposed by deleting the definition of the cost method would be outbalanced by the amount of work required by a mandatory impairment test. Therefore, we recommend an indication based impairment test. Using an indicator approach will balance the work required to ensure that impaired investments triggered by dividend distributions are revealed and appropriately accounted for.

Your question on page 6:

Prospective or retrospective application of the proposed amendments to IAS 27?

The GASB supports that the proposed amendments to IAS 27 should be applied prospectively.

For the detailed comments we refer to our Comment Letter to the International Accounting Standards Board's Exposure Draft of Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standard and IAS 27 Consolidated and Separated Financial Statements - Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate, which is attached to the letter.

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

Yours sincerely,

Liesel Knorr

President