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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels,
C (2008)

Draft

COMMISSION REGULATION (EC) No .../..

of [...]

amending Regulation (EC) No .../2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards amendments to International Financial Reporting Standard (IFRS) 1 and International Accounting Standard (IAS) 27

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(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards², and in particular Article 3(1) thereof,

Whereas:

- (1) By Commission Regulation (EC) No .../2008³ certain international standards and interpretations that were extant at 31 December 2007 were adopted.
- (2) In May 2008, the International Accounting Standards Board (IASB) published the 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". The amendment of IFRS 1 allows a first-time adopter in its separate financial statements to use as the deemed cost of an investment in a subsidiary, jointly controlled entity or associate either the fair value at the entity's date of transition to IFRSs or the previous GAAP carrying amount of the investment at that date. The definition of the "cost method" is deleted from IAS 27 and accordingly an investor is required to recognise as income in its separate financial statements all dividends received from a subsidiary, jointly controlled entity or associate, even if the dividend is paid out of pre-acquisition reserves. The amendments to IAS 27 also clarify how to determine the cost of an investment under IAS 27 when a parent company reorganises the operating structure of its group by establishing a new entity as its parent and this new parent obtains

¹ *NOTE to OPOCE: Please insert throughout the text the Number of the Commission Regulation titled "adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council", and the OJ reference to the same Regulation in footnote 2.*

² OJ L 243, 11.9.2002, p. 1.

³ OJ L ...

control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent.

- (3) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that the amendments to IFRS 1 and IAS 27 meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002. In accordance with Commission Decision No 2006/505/EC of 14 July 2006 setting up a Standards Advice Review Group to advise the Commission on the objectivity and neutrality of the European Financial Reporting Advisory Group's (EFRAG's) opinions⁴, the Standards Advice Review Group considered EFRAG's opinion on endorsement and advised the Commission that it is well-balanced and objective.
- (4) Regulation (EC) No .../2008 should therefore be amended accordingly.
- (5) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EC) No .../2008 is amended as follows:

- (1) **International Reporting Financial Standard (IFRS) 1 *First-time Adoption of International Financial Reporting Standards*** is amended as set out in the Annex to this Regulation;
- (2) **International Accounting Standard (IAS 27) *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*** is amended as set out in the Annex to this Regulation;
- (3) IAS 18, IAS 21 and IAS 36 are amended in accordance with the amendments to IAS 27 as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments to IFRS 1 and IAS 27, as set out in the Annex to this Regulation, at the latest, as from the commencement date of its first financial year starting after 31 December 2008.

Article 3

This Regulation shall enter into force on the **third** day following that of its publication in the *Official Journal of the European Union*.

⁴ OJ L 199, 21.7.2006, p. 33.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [...]

For the Commission
Charlie McCreevy
Member of the Commission

ANNEX

INTERNATIONAL ACCOUNTING STANDARDS	
IFRS 1 and IAS 27	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 27 <i>Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>

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