COMMENT LETTER

By e-mail: commentletters@iasb.org

April 27, 2007

Jeff Singleton
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Re: Exposure Draft of Proposed Amendments to IFRS 1
***First-Time Adoption of International Financial Reporting Standards*.**
Cost of an Investment in a Subsidiary

Dear Mr. Singleton,

National Accounting Standards Board of Russia appreciates the opportunity to submit comments on The Exposure Draft of proposed Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* — Cost of an Investment in a Subsidiary (hereinafter, the ED).

NOFA supports the ED. Our constituents have expressed unanimous approval of the proposed Amendments. Our Board concluded that elimination of former requirement of IAS 27 will facilitate preparation of financial reporting and reduce its costs.

Question 1
This Exposure Draft proposes to allow a parent, at its date of transition to IFRSs, to use a deemed cost for an investment in a subsidiary. The deemed cost would be determined using either the carrying amount of the net assets of the subsidiary, or its fair value, at that date. Is this appropriate? If not, why?

We agree that in some cases, on first-time adoption of IFRSs, the difficulties in determining cost in accordance with IAS 27 exceed the benefit to users. Our constituents believe that it would be appropriate to allow a parent, at its date of transition to IFRSs, to use a deemed cost for an investment in a subsidiary which would be determined using either the carrying amount of the net assets of the subsidiary, or its fair value, at that date.

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Question 2
This Exposure Draft proposes a simplified approach to determining the pre-acquisition accumulated profits of a subsidiary for the purpose of the cost method in IAS 27. Is this appropriate? If not, why?

Our constituents also believe that the accumulated profits of that subsidiary at the parent's date of transition should be deemed to be the pre-acquisition accumulated profits for the purpose of applying the cost method in IAS 27. This will prevent a parent from recognising the subsidiary's profits that were earned after its acquisition, but before the parent's transition to IFRSs, twice—once on restating the investment in the subsidiary to deemed cost (measuring the deemed cost using either the net assets or the fair value of the subsidiary) and again in income (when distributions from the subsidiary were received).

Thank you for the opportunity to present our views.

Yours sincerely,

Mikhail Kiselev
Chairman
National Accounting Standards Board