Reference to Exposure Draft	Question	FRC Comments
❑ ED, IAS 1, Par. 78, 79 ❑ Invitation to Comment Q # 2	Do you agree with prohibiting the presentation of items of income and expense as 'extraordinary items' in the income statement and the notes (see proposed paragraphs 78 and 79)?	We support the proposed prohibiting of the presentation of items of income and expense as 'extraordinary items' in the income statement and the notes. It can be very difficult to distinguish between ordinary and extraordinary items (even standard case studies in training programs do not always give clear examples). In practice different enterprises may treat similar events as ordinary risks of business, or extraordinary items. Also, the criteria of an extraordinary item are not very clear and may appear to be too loose. At the same time, if an event significantly affects the financial position and performance of the company, the information about this event should be disclosed in details. But such an event is not necessarily an extraordinary event, it may be an unusually large transaction or an unexpectedly fortunate combination of factors (for example, a rainy summer for an umbrella company). Accordingly, it is more reasonable just to have a requirement (as is the case under IAS 8.16) to disclose detailed information about the events which substantially influence the financial results and the financial position of the company. Russian Securities Law has similar requirements as to the information to be disclosed within the quarterly report of issuing companies.
❑ ED, IAS 1, Par. 108, 109 ❑ Invitation to Comment Q # 5	Do you agree that an entity should disclose the judgements made by management in applying the accounting policies that have the most significant effect on the amounts of items recognised in the financial statements (see proposed paragraphs 108 and 109)?	We agree with the proposed disclosure requirements. Users need information explaining reasons driving management when applying accounting policies. At the same time we have a concern about the practical application of the proposed requirement due to quite a general description of the requirement itself in the text of the standard and a lack of practice of disclosing such information. To achieve the comparability of the information presented by different reporting entities, the FRC submits a request to the IASB to provide examples of such disclosures either as an appendix to the Standard or as an application guidance (the same relates to the proposed disclosure requirements in the paragraphs 110-115).
❑ ED, IAS 1, Para 110-115 ❑ Invitation to Comment Q # 6	Do you agree that an entity should disclose key assumptions about the future, and other sources of measurement uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (see proposed paragraphs 110-115)?	We agree with the proposed requirements, in principle. At the same time we have a concern that some information to be disclosed under these requirements may fall within the commercial information treated as a so-called 'commercial classified information'. The examples of such information are contract prices and interest rates, etc. A similar situation was considered in the UK with respect to contingencies (FRS 12.97). So, we recommend to incorporate in the text of IAS 1 after paragraph 114 a paragraph of the following, or similar to the following, contents: "In extremely rare cases, disclosure of some or all of the information required by paragraphs 110-112 can fall within the commercial classified information and can be expected to prejudice seriously the market position of the entity. In such cases an entity need not disclose the information, unless its disclosure is required by national legislation; but should disclose the fact that, and reason why, the information has not been disclosed."

❑ Exposure Draft (ED) IAS 2, par. 21-22 ❑ Invitation to Comment Q # 1	Do you agree with eliminating the allowed alternative of using the last-in, first-out (LIFO) method for determining the cost of inventories under paragraphs 23 and 24 of IAS 2?	We support the elimination of the LIFO method subject to certain restrictions in respect of enterprises with specific business processes because the FIFO cost formula better reflects economic reality. The LIFO method should be eliminated for comparability purposes.
❑ ED IAS 2, par. 30 ❑ Invitation to Comment Q # 2	IAS 2 requires reversal of write-downs of inventories when the circumstances that previously caused inventories to be written down below cost no longer exist (paragraph 30). IAS 2 also requires the amount of any reversal of any write-down of inventories to be recognised in profit or loss (paragraph 31). Do you agree with retaining those requirements?	We agree with the retaining of those requirements.

❑ ED, IAS 8, Para 20, 21, 32 and 33 ❑ Invitation to Comment Q # 1	Do you agree that the allowed alternative treatment should be eliminated for voluntary changes in accounting policies and corrections of errors, meaning that those changes and corrections should be accounted for retrospectively as if the new accounting policy had always been in use or the error had never occurred (see paragraphs 20, 21, 32 and 33)?	We support the proposed elimination of the allowed alternative treatment for voluntary changes in accounting policies and corrections of errors. We don't not see such difficulties of applying the benchmark treatment of voluntary changes in accounting policies that would outweigh the benefits of more comparability and less subjectivity of the financial statements under this treatment. There will be some additional complications for those who traditionally use the alternative treatment. However the benchmark treatment provides for a better comparability of the financial statement: results of voluntary changes in accounting policies shall not effect the net profit or loss for the current period. Moreover, the alternative in question may give rise to the possibility of manipulating the company's current performance i.e. by a change to the policy in a way that improves the profitability of the company.
❑ ED, IAS 16, Par. 21-22 ❑ Invitation to Comment Q # 1	Do you agree that all exchanges of items of property, plant and equipment should be measured at fair value, except when the fair value of neither of the assets exchanged can be determined reliably (see paragraphs 21 and 21A)?	We agree with measuring all exchanges of items of property, plant and equipment at fair value.

❑ ED, IAS 17, Par. 3, 29A ❑ Invitation to Comment Q # 2	Do you agree that when a lessor incurs initial direct costs in negotiating a lease, those costs should be capitalised and allocated over the lease term? Do you agree that only incremental costs that are directly attributable to the lease transaction should be capitalised in this way and that they should include those internal costs that are incremental and directly attributable?	We agree with the proposed treatment of the lessor's direct costs incurred while negotiating a lease.
❑ ED, IAS 21, Par. 7-12 ❑ Invitation to Comment Q # 1	Do you agree with the proposed definition of functional currency as "the currency of the primary economic environment in which the entity operates" and the guidance proposed in paragraphs 7-12 on how to determine what is an entity's functional currency?	We agree, in general, with the proposed definition of functional currency. The only concern regards paragraph 7, where the factors to be considered in determining functional currency are listed, par 7 a) ii), in particular. Paragraph 7 a) ii) , providing for considering the currency of the country whose competitive forces and regulations mainly determine the sales price of its goods and services, in our opinion, should be removed from the paragraph 7 and placed in paragraph 8 of the IAS 21. The reasons for that are: 1) the other factors listed in paragraph 7 are of a different nature dealing mostly with the terms and conditions, which are determined by the entity itself, even if influenced by the current market conditions; the factor 7 a) ii) depends on the market completely, and will change upon the changes in the market. E.g. Russian metal factories exporting a large percentage of the output to the USA that means dependence on the US market conditions. If the market in the US changes as to reduce a share of the imported steel, the Russian metal factories can export the largest percentage of their output to other counties, e.g. to Europe. However, market prices for metals will continue to be denominated in US dollars. Do those changes mean that the factories have to change their functional currency? If not, it means that this factor is not as important as the other two factors named in the paragraph 7. 2) The other factors listed in paragraph 7 seem to be sufficient for creating a basis for the conclusion regarding selection of the functional currency; the factor 7 a) ii) seems to be rather supplementary, and it's logical to place it in the paragraph 8 with other additional factors.

❑ ED, IAS 21, Par. 16 ❑ Invitation to Comment Q # 2	Do you agree that a reporting entity (whether a group or a stand-alone entity) should be permitted to present its financial statements in any currency (or currencies) that it chooses?	Fair presentation is achieved when the functional currency and the presentation currency are the same. But it does not mean that, after being presented in the functional currency, financial statements can not be translated in any other currency in order to meet the users' needs. In our opinion, a stable presentation currency is one of the most important conditions for comparability of an entity's financial statements for different reporting periods. An entity should present its financial statements initially in its functional currency, and then they may be translated in another currency to meet the needs of concrete users.
❑ ED, IAS 21, Par. 37, 40 ❑ Invitation to Comment Q # 3	Do you agree that all entities should translate their financial statements into the presentation currency (or currencies) using the same method as is required for translating a foreign operation for inclusion in the reporting entity's financial statements (see paragraphs 37 and 40)?	We agree with the proposed translation method.
❑ ED, IAS 21, Par. 26 ❑ Invitation to Comment Q # 4	Do you agree that the allowed alternative to capitalize certain exchange differences in paragraph 21 of IAS 21 should be removed?	We support the elimination of the allowed alternative treatment. Exchange losses from a severe devaluation should be recognized in net profit or loss because: (i) IAS 29 enables enterprises to "smooth" the earnings figure; (ii) It is sometimes difficult to allocate exchange losses to specific assets; (iii) IAS 21 benchmark treatment is technically easier since there is no need to depreciate a portion of the carrying amount of the asset attributable to the exchange loss.
❑ ED, IAS 21, Par. 45 ❑ Invitation to Comment Q # 5	Do you agree that (a) goodwill and (b) fair value adjustments to assets and liabilities that arise on the acquisition of a foreign operation should be treated as assets and liabilities of the foreign operation and translated at the closing rate (see paragraph 45)?	We support the proposed treatment of goodwill and fair value adjustments resulting from the acquisition of a foreign operation for comparability purposes.

❑ ED, IAS 27, Par. 8(a) ❑ Invitation to Comment Q # 1	Do you agree that a parent need not prepare consolidated financial statements if all the criteria in paragraph 8 are met?	We agree with the proposed exemption from the obligation to publish consolidated accounts for parent companies that meet the criteria in paragraph 8 of the ED. The usefulness of the information contained in the consolidated financial statements of wholly or virtually wholly-owned subsidiaries will generally outweigh the additional costs of the group required to prepare such consolidated accounts. Sometimes there is a need for preparing consolidated accounts of such subsidiaries due to the legislative requirements in some jurisdictions (or due to subsidiaries' customers' requirements). But on the level of international financial reporting there should be a choice to prepare or not to prepare such accounts. At the same time the situations in which the parent and subsidiaries operate in different economies (hyperinflationary and non-hyperinflationary) needs to be considered further.