Sir David Tweedie
Chairman of the International
Accounting Standards Board (IA
1St Floor, 30 Cannon Street

London EC4M 6XH

UNITED KINGDOM

13/09/2002

Dear Sir David

Exposure Draft of Proposed Improvements to International Accounting Standards

We thank you for offering us the opportunity to comment on the 'Exposure Draft of Proposed Improvements to International Accounting Standards". You will find our comments only on those questions and rules we selected to give our opinion on, while on the other questions we do not have any objections or comments.

IAS 1

Q5: *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 think that the notes to the financial statements according to IAS already now contain all necessary information for the user of financial statements to correctly judge the situation of a company. Additional disclosures about the application of certain accounting policies might rather lead to an information overload.

Q6: *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 do not agree with this proposal. If it is expected at the balance sheet date that any key assumptions for certain items would bear a significant risk for the future these risks should already be considered at the balance sheet date, i. e. defined as a liability/provision.

IAS 2

Q1 *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?*

Harpen Aktiengesellschaft
D-44141 Dortmund, Voßkuhle 38
Internet: www.harpen.de
Telefon: 02 31 / 51 99-0
Telefax: 02 31 / 51 99-200
E-Mail: info@harpen.de

We do not see any reason for eliminating the LIFO-method. If this procedure does reflect the actual inventory flow the inventories should be measured according to this method.

IAS 8

Re IAS 8.19: *Comments on the effects resulting from the future adoption of an IAS/IFRS that has been issued but not yet come into effect.*

We think it sometimes is quite difficult to adopt an IAS/I FRS that has been issued but not yet come into effect as especially when the period between the issue of the standard and the preparation of the financial statements is very short there might be a lack of information. Therefore in our opinion this provision should also in future be worded as a recommendation rather than an obligation.

IAS 16

Q1 *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 do not agree with this proposal. If similar assets are exchanged the aim of this transaction usually is not the generation of sales but rather the purchase of an asset with a similar use. If the assets in such a transaction would be measured at fair value this accounting procedure would contradict IAS principles according to which purchasing transactions are not recognised in net result and thus excluding that gains are realised at the time of acquisition.

Re IAS 16.15(b): *The net proceeds from selling items produced when testing equipment are to be deducted from the cost of an asset.*

Practically it could be very difficult to determine and distinguish proceeds that are produced when testing equipment and proceeds from proper operation. Therefore it should be allowed to post income immediately.

Re IAS 16.22A-22D: *Individual components of an item of property, plant and equipment shall be accounted for and depreciated as separate assets.*

With regard to IAS 36 we do not agree as a separate asset usually is not a cash-generating unit. As impairment tests are done by determining the value of a cash-generating unit and the unit as a whole is impaired' the impairment loss would either have to be equally split between the separate assets or as not all separate assets may contribute to the loss of value of the cash-generating unit on those that actually cause the impairment to reflect the fair value of each separate asset. Both procedures would lead to an unreasonably high complexity in accounting.

IAS 28

Q2: Do you agree that the amount reduced to nil when an associate incurs losses should include not only investments in the equity of the associate but also other interests such as long-term receivables (paragraph 22)?

In our opinion the write-down of long-term receivables for losses incurred by an entity accounted for under the equity method is problematic when these receivables are secured by collateral. If inadequate write-downs shall be avoided each individual asset has to be tested for impairment.

RE IAS 28.18-20: Adjustment of the financial statements of an associate to the balance sheet date and to the accounting policies of the investor.

As the investor has no controlling influence on the associate the investor has neither the possibility to exercise any influence on the date the associate prepares its financial statements nor can he force the associate to use the same accounting policies as the investor. As the investor usually has not sufficient information about the business of the associate he cannot make any adjustments concerning the reporting date or accounting policies himself. Another reason for not adopting the above provision is that if the associate is accounted for under the equity method by several investors using different reporting dates or reporting rules this would lead to the problem that the associate would have to prepare several financial statements corresponding to the respective closing dates and accounting policies.

RE IAS 8A and 24A in connection with IAS 27.29 and 30: Accounting for investments in associates in separate financial statements.

As a consequence of IAS 28.8A the application of the equity method is also obligatory when the investor does not prepare consolidated financial statements, i.e. associates also have to be measured at equity in separate financial statements. This contradicts the planned provision of IAS 28.24A which refers to IAS 27.29 and 30. Accordingly, associates which are accounted for under the equity method in consolidated financial statements are either carried at cost or accounted for as described in IAS 39 in the separate financial statements. Accounting using the equity method which has been admissible as a third alternative is to be deleted.

Regarding the effective date of revised standards:

The implementation of new provisions will take some time especially in groups with a large number of consolidated companies. New group directives have to be drawn up, reporting systems have to be adopted, information with regard to the application of the new rules have to be gathered and finally the new rules have to be introduced at every level of the group. Therefore we would appreciate a sufficiently long lead-time for the adoption of the new standards.

Yours sincerely

Harpen Aktiengesellschaft

Dr Bernd Widera
(CFO)

ppa
Werner Oestreicher
(Head of Group-Accounting)