

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

In Prague, 9th September 2002

Re: Comment Letter on IASB ED of Proposed Improvements to IASs

The Chamber of Auditors of the Czech Republic welcomes the opportunity to respond to the Accounting Standards Board regarding the Exposure Draft of Proposed Improvements to International Accounting Standards, published by the International Accounting Standards Board for comments in May 2002.

We have reviewed the Exposure Draft and generally we support the improvements described in the above document. However, there is the number of specific issues raised in the Exposure Draft we take the different view of them.

IAS 1

Q1. Do you agree with the proposed approach regarding departure from a requirement of an IFRS or an IFRIC to achieve a fair presentation?

We do not agree with the proposed approach. The key objective of the International Financial Reporting Standards and Interpretations of those Standards is to provide the entities with the set of rules to prepare the financial statements that achieve a fair presentation. Even though we support the retained override provisions and we deem the disclosure requirements set out in para 14 necessary, we consider the reference to relevant regulatory framework other than IASB Framework for the Preparation and Presentation of Financial Statements, IFRSs or IFRICs surplus. The financial statements shall give true and fair view in accordance with the IFRSs (there are included also override provisions regarding the departures from a requirement of a Standard or an Interpretation necessary to achieve a fair presentation) so there is no need to deal with the alternative treatments according to any other regulatory framework (it is not relevant what is prohibited by another regulatory frameworks or not).

IAS 16

Specific Comment

In the published Exposure Draft, the paragraph 3 referring to initial recognition of property, plant and equipment under 22 has been deleted. We do not understand this change and do not agree with it. This paragraph logically refers to the fact that in the case of Business Combination, the initial recognition is determined by requirements of IAS 22. It further indicates that all other aspects of those assets are determined by using IAS 16. We consider this paragraph useful and self-explanatory and would wish to keep it under the revised standard as well.

General Comment

We generally welcome that changes and additional specifications that has been made to "Components of Costs" section from para 15 to para 20. However, we still believe that the definition of components of costs of P, P & E included in IAS 16 is very broad and general and it is often difficult to decide in practice whether the individual considered component should be capitalized or not. Given the usual significance of P, P & E balances, we do consider this issue important. Therefore, we would welcome further discussion leading to more specific definition of components of costs either within the scope of this Standard or in the related SIC.

IAS 24

- Q1. *Do you agree that the Standard should not require disclosure of management compensation, expense allowances and similar items paid in the ordinary course of an entity's operations (see paragraph 2)?*

'Management' and 'compensation' would need to be defined, and measurement requirements for management compensation would need to be developed, if disclosure of these items were to be required. If commentators disagree with the Board's proposal, the Board would welcome suggestions on how to define 'management' and 'compensation'.

In our opinion the disclosures of the items mentioned in the new para 2 of the Standard should not be given outside the scope of the Standard. It could be significant information for the users of the financial statements and we prefer to concentrate the professional effort to define the above items rather than to allow such information will not be disclosed. It is very difficult to define "management" and "compensations" because it is subject to the legal environment of each individual country and rules applied by the entity. We suggest to delete the new para 2 from the Standard and to start a broad discussion concerning the definitions.

- Q2. *Do you agree that the Standard should not require disclosure of related party transactions and outstanding balances in the separate financial statements of a parent or a wholly-owned subsidiary that are made available or published with consolidated financial statements for the group to which that entity belongs?*

No, we do not agree. We support the arguments mentioned in the Appendix B – Alternative views to the Proposed Improvements to IAS 24.

IAS 27

Other Comment

We feel appropriate to retain the disclosure of a listing of significant subsidiaries including information required in the existing wording of para 32(a) of the Standard. There is no reasoning in the Basis for Conclusions why such an important information should not be disclosed.

IAS 40

- Q1. *Do you agree that the definition of investment property should be changed to permit the inclusion of a property interest held under an operating lease provided that:*
- (a) the rest of the definition of investment property is met; and*
 - (b) the lessee uses the fair value model set out in IAS 40, paragraphs 27-49?*
- Q2. *Do you agree that a lessee that classifies a property interest held under an operating lease as investment property should account for the lease as if it were a finance lease?*

No, we do not agree. This approach is inconsistent with the recognition principles set out in the IAS 17. The operating leases do not transfer substantially all the risks and rewards incident to ownership of an asset, and if this assumption applies also in the case of a property interest, there is in our opinion no reason to apply the different treatment. Although we generally agree with the idea behind the above changes, we believe that the proposed treatment does not provide overall conceptual solution in the area of accounting for leases.

We would be pleased to discuss any aspect of this letter you may wish.

Yours sincerely,



Petr Kříž
President of CACR