Exposure Draft : Additional exemptions for first-time adopters – Proposed amendments to IFRS 1 – September 2008

Question 1 Deemed cost for oil and gas assets

Proposition:
An entity that used full cost accounting under its previous GAAP may elect, at the date of transition to IFRSs,

- to measure exploration and evaluation assets at the amount determined under the entity's previous GAAP and
- to measure oil and gas assets in the development or production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date.

Do you agree with the proposed deemed cost option for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

We have no comment on this proposition since we are not involved in the oil and gas activities and their related accounting treatment.

Question 2 Oil and gas assets - disclosure

Proposition:
An entity that uses the exemption described in question 1 above must disclose that fact and the basis on which it allocated the carrying amounts to the underlying assets.

Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

We support the IFRIC's proposition regarding the disclosure of the use of the above exemption. This practice is aligned with the qualitative characteristics of financial reporting information, outlined in the Conceptual framework of financial reporting, which are the comparability and understanbility of the information.

Question 3 Deemed cost for operations subject to rate regulation

Proposition:
Exemption for an entity with operations subject to rate regulation. Such an entity could elect to use the carrying amount of items of property, plant and equipment held, or previously held, for use in such operations as their deemed cost at the date of transition to IFRSs if both retrospective restatement and using fair value as deemed cost are impracticable.

Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

We agree with the proposed exemption for the items of property, plant and equipment of an entity subject to rate regulations. The two criteria proposed (impractical retrospective restatement and impractical use of fair value) consider the cost constraint and the accuracy in the preparation of financial information. We note that there are no conditions for the other exemptions provided in IFRS 1 and we are in favour of removing the two conditions for this proposed exemption.

The rate regulated entities have adopted accounting methods before the transition to IFRS that may differ from those required by the international standards. It might be impractical and very costly to trace back in the systems the amounts that do not qualify for capitalisation according to the IFRS, additional complexity would occur in the case an asset use has changed from rate regulated purpose to another purpose.

In our regulatory framework, Hydro-Québec can establish the fair value of items of property, plant and equipment. But we recognize that for other entities, the fair value of some items of property, plant and equipment may not be available because of the specificity of the industry and the lack of transactions (sale or acquisition) on such assets. In the absence of an active market, estimates would have to be used in order to provide the fair value and would not have been objective information.

Question 4 Leases

Proposition:
If a first time adopter made the same determination under previous GAAP as that required by IFRIC 4 Determining whether an arrangement contains a lease but at a date other than that required by IFRIC 4, the first time adopter need not reassess that determination when it adopts IFRSs.

Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

We agree with the exemption proposed but we think that its scope should be clarified to include all arrangements existing at the transition date and accounted for under previous GAAP and not only those for which the same determination than IFRIC 4 are made.

Previous GAAP, such as the abstract EIC - 150 "Determining whether an arrangement contains a lease", issued by the Emerging issues committee of the Canadian Institute of Chartered Accountants, provides a prospective application of the abstract for arrangements agreed to, committed to if earlier, modified or acquired in business combinations initiated after the issue date of the abstract (December 9, 2004).

The IFRS 1 should provide the same prospective application in order to ease the transition because it might be difficult for first- time adopters to obtain the facts and circumstances retrospectively for long term arrangements and the materiality of the amounts involved might not justify the efforts required to comply with IAS 17.

Question 5 Assessments under previous GAAP before the date of transition to IFRSs

Proposition:
The Board decided not to modify IFRS 1 so that entities need not reassess, at the date of transition to IFRS, prior identical accounting if that prior accounting permitted the same prospective application as IFRSs with the only difference being the effective date from which that accounting was applied.

Do you agree that the situation referred to in question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

We are not aware of any other situation that requires a relief other than the one referred to in question 4.