

GROUP OF 100 Inc.

ABN 83 398 391 246

The Group of 100 is an association of senior accounting and finance executives representing the major public companies and government owned enterprises in Australia.



National Secretariat

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Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Sir David

ED 1: First-time Application of International Financial Reporting Standards

The Group of 100 (G100) is pleased to comment on the above Exposure Draft. Our comments are attached.

The G100 considers that an IFRS dealing with first-time application is essential to establish the basis for the preparation of financial statements and to enhance the comparability of financial statements prepared in accordance with IFRS.

Yours sincerely

Tom Pockett
National President

c.c. Keith Alfredson - Chairman AASB

GROUP OF 100 COMMENTS ON:**ED 1: FIRST-TIME APPLICATION OF
INTERNATIONAL FINANCIAL REPORTING STANDARDS & ED 107 (AASB)**

- Q1 The proposed IFRS would apply when an entity first adopts International Financial Reporting Standards (IFRSs) as its new basis of accounting, by an explicit and unreserved statement of compliance with all IFRSs (paragraphs 1-5 and paragraphs BC4-BC10 of the Basis for Conclusions). Is this an appropriate description of the circumstances when this proposed IFRS should apply? If not, what changes would be suggest and why?**

The G100 considers that the first-time application of IFRS must coincide with an explicit and unreserved statement of compliance with all IFRSs. In the Australian context we believe that this would occur when the set of IASB standards adopted by the AASB are operative for the first time.

However, given the institutional arrangements in Australia in respect of making Accounting Standards and their status as delegated legislation, an explicit and unreserved statement in respect of IASB standards may not be consistent with the requirements of the Corporations Act. Notwithstanding this, it is highly likely that the AASB will adopt the technical requirements of IASB standards verbatim with variations for national purposes in respect of the scope and application of the standards. We believe that the IFRS should explicitly deal with these types of circumstances and suggest that it would be achieved by way of commentary and explanation.

- Q2 The proposed IFRS proposes a requirement that an entity shall prepare its opening IFRS balance sheet using accounting policies that comply with each IFRS effective at the reporting date for its first IFRS financial statements. Paragraphs 13-24 propose limited exemptions from this requirement. Are all of these exemptions appropriate? Should the Board amend any of these exemptions or create any further exemptions (paragraphs BC11-BC89)? If so, why?**

In order to achieve comparability in respect of the entity over time and between entities the G100 believes that, so far as practicable, accounting policies consistent with IFRS should be applied in respect of its opening IFRS-based balance sheet. The G100 supports the general principle that an entity should apply the same accounting policies in respect of all periods reported in its first IFRS financial statements. However, on pragmatic grounds where the basis of accounting is being changed, we would support the application of the new standards on a prospective basis. If this approach is not adopted we suggest that, as an interim approach, companies be given an extended transitional period to implement the necessary changes.

The G100 agrees with the exemptions set out in paragraphs 16-24 and believes that where an entity seeks recourse to the exemptions it must apply them all on a consistent and comprehensive basis. However, as implementation proceeds further exemptions may be necessary.

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Q3 Paragraphs 28-37 of the proposed IFRS deal with presentation and disclosure requirements (see also paragraphs BC90-BC97). Are all of these disclosures appropriate? Should the Board require any further disclosures or eliminate or amend any of the proposed disclosure requirements? If so, why?

The G100 supports these proposals. We presume that the disclosures and reconciliations required by paragraphs 30-32 apply only respect of the first set of financial statements, that is the opening balance sheet, prepared in accordance with IFRS.

Q4 Do you have any other comments on the Exposure Draft?

- The G100 believes that where financial instruments under previously applied requirements were classified as equity and, on adoption of IAS 39, are required to be classified as debt the entity should be provided with a limited exemption in the form of an extended transitional period to enable it to seek, where necessary, amendments to trust deeds etc.
- Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' permits companies moving from a revaluation basis to adopt the revalued amount as the deemed cost of a non-current asset at the time of the change. We believe that the proposed IFRS should include relief to enable the continued use of a previously determined deemed cost in these circumstances and not impose another fair value exercise to determine deemed cost.
- We are also concerned about the application of the requirements where the IASB proposes to issue interim standards and there are extant national standards, for example, in Australia standards on life insurance, general insurance and extractive industries are part of GAAP. Requirements to comply with interim IASB standards for companies engaged in these activities are likely to impose significant burdens in implementation and to be confusing to users of financial reports if there are two changes in accounting policies in a relatively short time.