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P. Clark, Esq.
International Accounting Standards Board
30, Cannon Street
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27 August 2002

Dear Peter,

ED1

We have reviewed the exposure draft on the First time application of International Financial Reporting Standards.

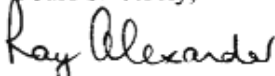
We are in broad agreement with the principles set out in the exposure draft save for paragraphs 7 to 9 and 13 to 24 which we consider could benefit from setting out the proposals (as we understand them) more clearly.

We would agree with the overriding principle of requiring full retrospective application, using IFRSs effective at the first reporting date. This is clearly set out in paragraphs 7 to 9 and in the first sentence of paragraph 13. However, the remainder of paragraph 13 implies that entities that wish to adopt full retrospective application must take advantage of the exemptions (as set out in paragraphs 16 to 24), whereas those that do not wish to take advantage of the exemptions must apply IFRSs effective in each period. The latter will therefore need to consider superseded versions. The logic here is difficult to follow.

We believe that there should be two separate levels of exemption from the overriding requirement for full retrospective application. The first should relate to entities that have been shadowing but not actually reporting under IFRSs, for which we understand it is intended that they can move to IFRSs without restating their past transactions (and therefore will apply IFRSs effective in each reporting period). The second should relate to those remaining entities that either need to or wish to utilise the exemptions set out in paragraphs 16 to 24.

We agree with the categories of assets and liabilities eligible for 'alternative' treatment wherever an entity that is eligible chooses to take advantage of the exemptions. However, it is unclear how 'undue cost and effort' interacts with the requirement of paragraph 14 to use either all of the exemptions or none of them. For example, an entity may have little choice but to use the 'alternative' treatment for its previous business combinations but may have perfectly adequate cost-based records for its property, plant and equipment, which it ought not be restricted from using. We believe it would be helpful if this could be clarified.

Yours sincerely,


Ray Alexander
Partner