

31 October 2002

Our Ref: PS04-0012

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

E-mail: CommentLetters@iasb.org.uk

Dear Sir/Madam

IASB ED-1: FIRST TIME APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

We are pleased to see that the IASB is addressing the issue of first time application of international financial reporting standards. This issue will become more significant as Europe, Australia and now New Zealand move toward adoption of these standards for those entities for whom the IASB issues standards. We are largely supportive of the proposals in the exposure draft.

Our responses to the specific questions in the invitation to comment are noted below.

Specific Questions

Question 1

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 you suggest, and why?

The circumstances in which the proposed IFRS would apply are appropriate except that the requirement in paragraph 2(a)(ii) is unnecessarily onerous. Entities that have complied with IFRSs in at least the most recent previous financial statements but don't specifically state this fact are not applying IFRSs for the first time at the point a specific statement is subsequently made in the financial statements. Therefore, such entities should not be subject to the proposed IFRS.

Question 2

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?

The limited exemptions from complying with IFRSs are appropriate except that paragraph 13 departs from the principle outlined in paragraph 7 without providing a rationale. Paragraph 7 notes that:

“An entity shall use the same accounting policies throughout all periods presented in its first IFRS financial statements, and also in its opening IFRS balance sheet. Those accounting policies shall comply with each IFRS effective at the reporting date for its first IFRS financial statements.”

Paragraph 13 then notes:

“... If an entity does not use the exemptions, ... the entity shall apply the IFRSs that were effective in each period and may, therefore, need to consider superseded versions of IFRSs if later versions required prospective application. ...”

In our opinion paragraph 13 should be altered to be consistent with the principle outlined in paragraph 7.

Question 3

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?

All the presentation and disclosure requirements in the proposed IFRS are appropriate.

Question 4

Do you have any other comments on the Exposure Draft?

No.

Please call Todd Beardsworth on (04) 917-1590 if you require clarification on any of the points raised in the submission.

Yours sincerely

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