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

Dear Board Members:

Microsoft appreciates the opportunity to respond to IASB Exposure Draft 1, "First-time Application of International Financial Reporting Standards". We apologize for the delay in our response. In general, Microsoft agrees with the ED, but we do have specific concerns with the requirement that if an entity uses an exemption stated in the ED due to cost/benefit constraints, it is required to use all the exemptions stated in the ED.

Microsoft commends the IASB for taking into account cost/benefit tradeoffs when considering how an entity should make the transition to International Financial Reporting Standards. However, we fail to understand the requirement that if an entity uses the exemptions in paragraphs 16-24 of the ED, it is required to use all of them. As stated in paragraph 14, the exemptions fall into three categories. Given that the ED acknowledges that there are three types of exemptions, why would an entity be required to use them all if only one or some of the listed exemptions are applicable to a company from a cost/benefit approach? Microsoft believes an entity should be allowed to use any of the exemptions, as long as it is justified from a cost/benefit perspective. Entities would be required to disclose which exemptions it used.

In addition, we reject the calls by others that the Board should provide more guidance on what is meant by the phrase "undue cost or efforts". We can think of no quicker way to start down a slippery slope from principle based standards to rule based standards than by trying to define this phrase. The guidance in paragraph 13 of the Basis for Conclusions (BC13) is sufficient.

If you have any questions, please contact me at (425) 703-6094.

Sincerely,

Bob Laux
Director, External Reporting

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?

Response: Yes, this is an appropriate description of the circumstances when this proposed IFRS should apply.

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?

Response: We fail to understand the requirement that if an entity uses the exemptions in paragraphs 16-24 of the ED, it is required to use all of them. As stated in paragraph 14, the exemptions fall into three categories. Given that the ED acknowledges that there are three types of exemptions, why would an entity be required to use them all if only one or some of the listed exemptions are applicable to a company from a cost/benefit approach? Microsoft believes an entity should be allowed to use any of the exemptions, as long as it is justified from a cost/benefit perspective. Entities would be required to disclose which exemptions it used.

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?

Response: The disclosures are appropriate.

Question 4.

Do you have any other comments on the Exposure Draft?

Response: We reject the calls by others that the Board should provide more guidance on what is meant by the phrase "undue cost or efforts". We can think of no quicker way to start down a slippery slope from principle based standards to rule based standards than by trying to define this phrase. The guidance in paragraph 13 of the Basis for Conclusions (BC13) is sufficient.