

International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

E-mail: CommentLetters@iasb.org.uk

31 October 2002

CA HOUSE
21 HAYMARKET YARDS
EDINBURGH EH12 5BH
PHONE 0131 347 0233
FAX 0131 347 0105
E-MAIL dwood@icas.org.uk
WEB <http://www.icas.org.uk>

Dear Sir or Madam

FIRST-TIME APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Institute's Accounting Standards Committee has considered the IASB's exposure draft on first-time application of International Financial Reporting Standards ("IFRSs"), and I am pleased to set out its comments below.

We strongly support the intention of the standard, in facilitating in a practical and workable manner the application of IFRSs for the first time. We accept that the proposals are a pragmatic solution which will ease the transition to IASs/IFRSs for companies, although it needs to be recognised that this may lead to some unusual figures appearing in the financial statements, and may also result in inconsistencies between financial years and between companies.

We found the draft standard very difficult to understand on first reading, and suggest that the final version would benefit from a clear overview of the standard's requirements. This confusion was exacerbated by the variety in application of the provisions therein – some permitted, some encouraged, and others required.

Our responses to the detailed questions raised are as follows.

Question 1: Circumstances when this IFRS should apply

We agree with the description in paragraphs 1 to 5 of the circumstances when the proposed standard should be applied.

Question 2: Proposed Exemptions

We believe that all the proposed exemptions are appropriate. However, we believe that IAS 11, "Construction Contracts" should also be included. Where companies which previously accounted for profit on long term contracts on a completion basis move to accounting on a stage of completion basis, it may not be possible to assess in retrospect the circumstances which existed at earlier year ends. It may therefore not be possible to allocate contract profit reliably to earlier periods.



The Mark of Quality

We note that the IASB's Implementation Guidance does not address all extant IASs. We believe that all extant IASs/IFRSs should be included in the Implementation Guidance, with an explanation that each has been considered, the extent to which the first application of each is likely to cause a problem in practice, and the consequent approach taken in the standard.

Question 3: Disclosures

We are generally satisfied with the proposed disclosure requirements. However, we suggest that explanation should be required to the effect that the application of different transitional rules may lead to a loss of comparability between financial statements of different companies.

Question 4: Other Comments

As indicated above, we found the draft standard very difficult to understand on first reading. This may be partly caused by the variety in application of the provisions therein – some permitted, some encouraged, and others required. We suggest that the final version contain a clear overview of the standard's provisions.

We hope that our comments are of assistance to you in the finalisation of these standards. If you wish to discuss any of our comments further, please do not hesitate to contact me.

Yours sincerely

RICHARD ANDERSON
Assistant Director, Accounting & Auditing
Secretary to the Accounting Standards Committee

cc: The Secretary, ASB (conspaper2@asb.org.uk)
Paul Rutteman, EFRAG