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Sir David Tweedie
Chairman
International Accounting Standards
Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

October 31, 2002

RE: First Time Application of IFRS

Dear Sir David:

UBS AG appreciates the opportunity to comment on Exposure Draft 1, *First-time Application of International Financial Reporting Standards*. UBS AG utilizes IAS as its primary reporting framework and is one of the largest companies of any kind to have adopted IAS. We have a significant interest in the development of IAS Standards and we support the IASB's effort to continually improve accounting guidance. We hope you find our comments useful.

We support the IASB's initiative to clarify the transitional rules for entities adopting IFRS for the first time. However, we do not agree that the application of the exemptions in paragraphs 13-24 should be at the discretion of the entity. We believe that each area should be individually evaluated and the allowed exceptions should only be applied on the basis of undue cost or effort.

We have included answers to the specific questions asked in Appendix 1 of this letter.

We very much appreciate the opportunity to comment. If you would like to discuss any comments that we have made, please contact us at your convenience. Your contacts on the subject are Ralph Odermatt, Managing Director (+41-1-236-8410) and John Gallagher, Executive Director (+1-203-719-4212).

Yours sincerely,

UBS AG

William Widdowson

Managing Director
Group Tax and Accounting Policies

Ralph Odermatt

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Accounting Policies and Support

Appendix 1

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?*

Answer – We agree that the proposed guidance should apply when an entity states that its new basis of accounting is 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?*

Answer – We disagree with the all or nothing proposal for applying the exemptions in paragraphs 13-24. We believe that each area should be individually evaluated and the allowed exceptions should only be applied on the basis of undue cost or effort and not simply at the discretion of the entity. The exemptions listed are mutually exclusive and we cannot see any benefit to users of accounts in applying all of these exemptions irrespective of the individual circumstances of the specific entity. We believe that an entity should be compelled to comply with an IAS standard except, in the rare circumstances when the entity cannot obtain the necessary information, or when the entity would incur undue costs in obtaining the information. As such, we urge the board to eliminate the all or nothing requirement in favor of a case by case analysis and allow use of the exemptions only on an undue cost or effort basis. In addition to the limited exceptions listed in paragraphs 13-24, there may be circumstances where compliance with other IFRS rules may require an entity to incur undue costs or effort or where compliance is not possible due to unavailability of information. As a result, we believe that the standard should permit other exemptions where there would be undue cost and effort involved in applying them retrospectively or when complete information is not available.

We do not agree with the proposal in paragraph 13 that requires entities which elect the exceptions in paragraphs 14-24 to apply only the current versions of IFRSs, and those that do not elect the exceptions to consider the superceded standards. We do not believe the board has made a compelling argument for this approach. We believe that all entities should be required to consider superceded IFRSs if the new rules in effect required prospective application. This will ensure comparability between entities already reporting under IFRS and those that are newly adopting IFRS.

In addition, we are especially concerned with the proposed exemption relating to business combinations. We strongly oppose the “free ride” exemption given to entities by allowing them to account for a business combination in the same manner as under previous GAAP. IAS 22, *Business Combinations*, outlines specific requirements that a business combination must meet in order to be accounted for as a uniting of interests. Other GAAP’s may not have such requirements. The proposed rules may result in a uniting of interests accounting for business combinations that clearly do not meet the definition of a uniting of interest under IAS 22, simply

because they met the definition under previous GAAP. We cannot understand nor support the rationale for this approach. We would support limited exceptions if the necessary information to restate the combination were no longer available or where the entity would incur undue cost and effort in complying with IAS 22. However, we believe that where the necessary information is obtainable and accurate, previous GAAP accounts should be restated to comply with the requirements of IAS 22. We believe that investors are better served by account information that complies fully with IFRS.

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?*

Answer – We agree with the presentation and disclosure requirements as described in the ED.

Question 4 - *Do you have any other comments on the Exposure Draft?*

Answer – No.