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31<sup>st</sup> October 2002

Dear Sirs

**Exposure Draft No.1 "First-time Application of International Financial Reporting Standards"**

We support the IASB in its aim of producing a set of technically sound standards and are pleased to attach our responses to the exposure draft on "First-time Application of International Financial Reporting Standards".

These responses represent the views of AstraZeneca PLC. Should you have any queries or wish to discuss these responses further, please do not hesitate to contact Bill Hicks (+44 1625 517294) or Richard Smith (+44 1625 517297).

Yours faithfully

**Bill Hicks**  
**Chief Statutory Accountant**

## **AstraZeneca PLC**

### **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?*

We agree that the circumstances described are appropriate for when the proposed IFRS should be applied. However, we believe further clarification would be beneficial on the circumstances where an entity has prepared financial statements that contained an explicit and unreserved statement of compliance with IFRSs and the auditors qualified their audit report. Should the qualification relate to a disagreement with management about the explicit and unreserved statement of compliance, we believe that the entity should be treated as a first time adopter.

### **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?*

We believe the exemptions are appropriate and agree with the principle that an entity should use the same accounting policies based on IFRSs effective at the reporting date throughout all periods presented.

However, we are concerned that the guidance in paragraph 13 is not clear, nor displayed as prominently as it should be. Our understanding of the guidance is that, should an entity not use the exemptions, it should apply IFRSs effective in each period and this means all IFRSs, not just those applicable to the exemptions. If this is the case, it should be made clear and noted more prominently.

We support the provision that an entity is not allowed to cherry pick the exemptions, provided that the IASB is satisfied that an entity will not be forced to reject all the exemptions because of accounting policies adopted under its previous GAAP.

We believe that an exemption allowing entities to capitalize borrowing costs from the effective date of IAS23 would be appropriate.

### **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?*

We believe the disclosures are appropriate. However, we believe that the provisions of paragraph would benefit from application guidance, possibly within the implementation guidance section of the proposed IFRS. Whilst we recognize that there is no practical generic disclosure that will meet the variety of circumstances of entities adopting IFRSs, an example indicating at least the minimum levels of disclosure the IASB anticipate would improve comparability.

### **Question 4**

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

Extension of the guidance of reclassifying intangibles to goodwill (paragraph 20 (b) (i)) to clarify that should the relevant goodwill have been written off to reserves, the reclassified intangibles should follow this treatment.

Additionally, guidance as to the treatment of goodwill written off to reserves on subsequent disposal of the relevant subsidiary would be useful.