



Dear EFRAG members,

First of all, I would like to express our satisfaction for the issue of this Exposure Draft (hereinafter, ED) about the First-Time Application of International Financial Reporting Standards. This ED provides the guidelines needed to ensure that an entity's first IFRS financial statements contain high quality information and that will enable the comparability between the financial periods presented by an entity and, comparability between first-time adopters of IFRS, at a single point in time.

We also welcome the effort done by the IASB permitting some exceptions to first-time adopters as they can use amounts determined using previous GAAP as deemed cost for IFRS at the date of transition to IFRS in order to minimize administrative costs and burdens, and maintain continuity with previously reported data.

In this sense, we have to take into account the number of companies that shall prepare their consolidated accounts in conformity with the international accounting standards as stated in the Regulation of the European Parliament and of the Council on the application of international accounting standards.

In respect to the questions set out in the ED, our answers are the following:

- Q1.** 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 support the EFRAG answer. Nevertheless, we would like to comment that in paragraph 4, the opening sentence and section (a) are not eventually necessary because this exposure draft does not apply to existing IAS adopters.

**Q2.** 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 think that paragraph 13 is confusing, so we recommend including a separate section explaining it.

We understand that the situations related with the application of IFRS are:

1. The general principal stated in paragraph 7 (*“full retrospective application of all IFRS effective at the reporting date for an entity’s first IFRS financial statements”*); or
2. If an entity can and therefore, use the exemptions set out in paragraphs 14-24, *“it shall apply only the latest version of IFRS”*; or
3. If an entity can but does not use those exemptions, it *“shall apply the IFRS that were effective in each period and may, therefore, need to consider superseded versions of IFRS if later versions required prospective application”*



We wonder whether we could differentiate between the entity that can use the exemptions and does not use them and the ones that really can not use them, even more if we take into account the subjectivity the definition of “*undue cost or effort*” has.

In the scope it is stated that “*an entity’s first IFRS financial statements are the first annual financial statements in which the entity adopts International Financial Reporting Standards (IFRS) as its basis of accounting, by an explicit and unreserved statement in those financial statements of compliance with IFRS*”.

We believe that if the IASB intention is to facilitate the transition to entities which had presented financial statements under IFRS but had not included the explicit and unreserved statement; they should be treated as a first-time adopter in the same way as it is stated in paragraph 5, in the sense that it should not be a first-time adopter for recognition and measurement purposes only for disclosures ones.

We would like paragraph 24 to be clarified because although it is included in the exemptions that can be used or not, we believe that it should be a requirement and not a possibility.

In paragraph 20 (b) (i), although we support the existence of the impairment test, we would like to recommend that all recognition adjustments for items recorded under previous GAAP but which do not meet the recognition criteria under IFRS and vice-versa should go to retained earnings.

- Q3.** 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 support the general disclosures requirements, however, we believe that some of them may not be very meaningful, for example the one stated in paragraph 32, last sentence (material adjustments to cash flow statements).

Paragraph 3 includes some examples about when an entity is not considered a first-time adopter. Letter (a) refers to a entity that had been presenting two sets of financial statements, one under national requirements (which is the only one valid for legal purposes) and the other that contains an explicit and unreserved statement of compliance with IFRS. We believe that those entities should be required to apply disclosure requirements, because for national purposes is a first-time adopter like the other entities that had presented a single set of financial statements under national requirements.

In paragraph 37 (b), we do not understand what is *“cross-reference to another published document that includes these reconciliations”*. We believe that all the relevant reconciliations should be included in the notes to the interim financial statements.

**Q4.** Do you have any other comments on the Exposure Draft?

1. We do not support EFRAG comment number 4 related to business combinations, we think that it would be better to delete it.
2. We support the EFRAG comment about the negative goodwill.
3. We support the EFRAG comment about the hedge accounting.
4. We support the EFRAG comment number 7.
5. Paragraphs BC 54-BC 55 refer to the requirement of *“first-time adopters to recognise de cumulative fair value changes in a separate component of equity in the opening IFRS balance sheer, and recycle those fair value changes into the*



*income statement on subsequent disposal or impairment of the asset*". We do not think that there are sufficient reasons to require first-time adopters to apply this. Nevertheless, we believe that there is an important risk that first-time adopters could do a selective classification of assets with cumulative gains as available-for-sale (with subsequent recycling on disposal).