

5 November 2002

International Accounting Standards Board  
30 Cannon Street  
LONDON  
EC4M 6XH

CC: ASB

Dear Sirs

## FIRST TIME APPLICATION OF IFRS

Thank you for giving the Chartered Institute of Management Accountants the opportunity to comment on this standard.

The Chartered Institute of Management Accountants (CIMA) is a global professional body specialising in management accounting. CIMA represents over 74,000 students and 57,000 members in 156 countries.

CIMA consider that clear explicit and detailed guidance for first-time adopters is important in smoothing the transition to International Accounting Standards that will face many European companies in the next two years. This draft does provide such guidance.

Our responses to specific questions are attached. This letter has been sent today as both an email, and by post as requested.

Yours sincerely

  
L.N. Ross

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## Question 1

The proposed IFRS would apply when an entity first adopts International Financial Reporting Standards (IFRSs) as the 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 of Conclusions).

Is this an appropriate description of the circumstances when this proposed IFRS should apply? If not, what changes would you suggest, and why?

*Yes, CIMA considers this is an appropriate description. The date on which an entity first applies IFRS might be unclear (because of earlier partial adoption; or because not all entities will be first time adopters in 2005). An explicit statement is therefore necessary. CIMA has no changes to suggest.*

## 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 (paragraph BC11-BC89)? If so, why?

*Yes, CIMA considers these exemptions appropriate, and has no additional exemptions or amendments to the exemptions to suggest. We note that para. 14 provides that all exemptions must be used if any are used. However, in para. 16 it states that the transition date book value may be used if determining the cost-based amount involves undue cost or effort. We take this to mean that an entity may use cost-based measurements, where this does not involve undue cost or effort, even if another exemption, for example on business combinations, has been used. If this is not the meaning, then it should be, and in any event it would be good to clarify this point.*

## Question 3

Paragraphs 28-37 of the proposed IFRS deal with the 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 appropriate disclosure requirements? If so, why?

*The requirements to explain the transition from previous GAAP to IFRS and for all comparative data to be restated in IFRS will impose a heavy but unavoidable burden preparers of accounts who are first time users of IFRSs, and more importantly will result in documents of daunting length and complexity for the users of those accounts. Their initial financial statements will be longer and more complex than previously. This is an inevitable consequence of harmonisation. However CIMA recommend that as a general principle the introduction of new disclosures is kept to a minimum during the transition period, and do not consider there are any other disclosure requirements to add to those identified in the draft IFRS.*

## Question 4

Do you have any other comments on the Exposure Draft?

*CIMA have no other comments.*