

# Raad voor de Jaarverslaggeving

Stichting voor de Jaarverslaggeving

(voortzetting van het Tripartiete Overleg - TO)

Opgericht 18 september 1981 door:  
Verbond van Nederlandse Ondernemingen  
Nederlands Christelijk Werkgeversverbond  
Christelijk Nationaal Vakverbond  
Federatie Nederlandse Vakbeweging  
Koninklijk Nederlands Instituut van  
Registeraccountants met medewerking van  
de Sociaal-Economische Raad

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Our ref. : EvS  
Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0279  
Date : Amsterdam, 11 October 2002  
Re : Exposure Draft 1; First Time Application

Dear Sirs,

The Netherlands Council for Annual Reporting (CAR) is pleased to respond to your request for comments on the Exposure Draft 1 (First Time Application).

Hereafter we answer the specific questions together with any additional comments.

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?*

Yes, the CAR agrees that it is appropriate to regard the first time application of IFRS as being the first time the financial statements include an explicit and unreserved statement of compliance with all IFRSs.

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 do support the general principle in paragraph 7 that an entity should use the same accounting policies throughout all periods presented in its first IFRS financial statements and that those policies should comply with each IFRS effective at the reporting date. We also agree that entities should be permitted to use the exemptions set out in paragraph 16 to 24. But in our opinion entities should be encouraged to use as few exemptions as possible. We think the comparability improves when entities use the retrospective application for all possible standards. If an entity uses a specific exemption, the use of that individual exemption should be justified by well-founded reasons and these reasons should





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be disclosed. If no justification can be made, use of the exemption should not be possible. We believe cherry-picking can be prevented in this way, maintaining comparability as much as possible.

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 believe that the disclosure requirement in paragraph 37a should be eliminated. The benefit of reconciliation's for the comparable interim statements does not compensate the costs. We think the requirement in paragraph 37b is sufficient.

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

1. The treatment of goodwill for first-time adopters is described in Appendix B Business Combinations B1(e). We recognise that this prohibition against recognition of negative goodwill in an opening IFRS balance sheet reflects a proposal in phase I of the IASB's project on business combinations. In our opinion the IASB does not take their own due process seriously in prohibiting recognition of negative goodwill in an opening IFRS balance sheet before this is included in the final standard Business Combinations.
2. Based on BC39 we believe that the exemption to the retrospective application of business combinations must not only be applied to measurement but also to aspects of recognition. Whether that is the case, is not fully clear. The sentence 'The same applies to any adjustment resulting from the recognition of an asset or liability not recognised under previous GAAP, ...' (Appendix B1 (d)) could imply that the exemption is not applicable to recognition. That would have great consequences for first time adopters.

Furthermore, we think that all important requirements should be explicitly made in the main text and not in an appendix.

Finally, we noticed an inconsistency between Example 1 and 4 in Appendix B. Example 4 does not recognise the intangible assets because 'the amount assigned to them under previous GAAP was nil'. We think this rule is very subjective and may lead to inconsistent interpretations.

3. We believe more guidance should be given to paragraph 20b(ii). It is not clear whether the impairment loss of goodwill should be recognised as an expense in the income statement in line with IAS 36.59 or recognised directly in equity in line with ED 1, paragraph 12.

If you have any questions in relation to this letter, please do not hesitate to contact us.

With kind regards,

b/a

Prof. dr. Martin Hoogendoorn,

Chairman Council for Annual Reporting (CAR)