

October 31, 2002

International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

By email to: [CommentLetters@iasb.org.uk](mailto:CommentLetters@iasb.org.uk)

**Re: Exposure Draft of proposed IFRS for First Time Application of International Financial Reporting Standards.**

We appreciate the opportunity to comment on the Exposure Draft of proposed IFRS for First Time Application of International Financial Reporting Standards ("the Exposure Draft"). Goldman Sachs is a leading global investment banking and securities firm that provides a wide range of financial services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

As an international firm we support the IASB's (the "Board") objective of establishing globally accepted International Financial Reporting Standards. We understand the Exposure Draft's objectives are to ensure financial statements applying IFRSs for the first time contain high quality information that is transparent to the users and comparable for all periods presented; provide a suitable starting point for the entity's subsequent accounting under IFRSs; and can be generated at a cost that does not exceed the benefits to users. We appreciate that meeting these objectives requires trade offs, and the pragmatic and rational approach the Board appears to have considered in many aspects of the Exposure Draft is welcome.

However, the strict application of the Exposure Draft would preclude financial statement preparers from applying the standard to ensure the balance between retrospective application of IFRSs, faithful representation of the transactions, and the cost of retrospective implementation can be maintained. Introduction of the objective of cost benefit appraisal as an overriding principle within the contents of the Exposure Draft would allow preparers and auditors to apply good judgment over the application of the standard and implementation of IFRSs.

In the following paragraphs we address the specific questions for which comments were sought, and expanded the concerns mentioned above.

**Question 1**

*The proposed IFRS would apply when an entity first adopts International Financial Reporting Standard (IFRS) as its new basis of accounting, by an explicit and unreserved statement of compliance with all IFRSs.*

*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 this is an appropriate description of the circumstances in which this proposed IFRS should apply.

**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? If so, why?*

The exemptions appear reasonable, but they are prescriptive and restricted to the specific situations, assets, and liabilities discussed. The situations to which the exemptions apply all appear reasonable in their applicability to the underlying principles driving the exemptions.

Whilst we understand the Exposure Draft is specific and limited with regards to exemptions, to ensure IFRSs are applied as comprehensively as possible to maintain comparability of financial statements, the specific nature of the exemptions is contrary to the underlying justification of the exemptions, i.e., the cost should not outweigh the benefit.

For instance;

- The retrospective treatment of long-term contracts. When an entity uses the completed contract method prior to transition, the entity may not have the information available to apply the standard retrospectively.
- Within a banking situation, the retrospective application of the standards would require positions marked at a value other than the quoted market value (i.e., block discounts) to be revalued to the market price. Although market prices would be available they could be costly and difficult to obtain for large and varied portfolios. We question whether this exercise is of value to the reader of the financial statements as compared to the cost in reaching those statements.

We suggest the objective of the standard (balance between cost and benefit) be included as an overriding principal within the standard itself. This would allow individual entities and their auditors to apply judgment as to when the benefit to the reader is outweighed by the cost of implementation. To maintain the comparability of the financial statements any exemptions made under the overriding principal would need to be clearly disclosed within the notes to the financial statements, with reasons for the exemptions and indication of the impact that restatement would have had on the accounts.

### Question 3

*Paragraphs 28-37 of the proposed IFRS deal with presentation and disclosure requirements. 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?*

The disclosures discussed appear to be appropriate to ensure the readers have a clear understanding of the impact of changing the accounting basis to IFRSs.

It would be helpful to preparers of financial statements if the standard contained examples of expected disclosures. This would also ensure comparability of financial statements and a degree of control over disclosures made. We suggest that examples of disclosures required would be helpful in ensuring comparability of financial statements.

\* \* \* \* \*

Thank you for the opportunity to provide you with our feedback. If you have any questions regarding our comments, please do not hesitate to contact me on 020 7774 3804.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Davies', written in a cursive style.

Stephen Davies  
Managing Director  
Goldman Sachs International