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International Accounting Standards Board

30 Cannon Street, 1st Floor

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**Comments on "ED1 FIRST-TIME APPLICATION OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS (IFRS)"**

Dear Sirs:

We, the Japanese Institute of Certified Public Accountants, are pleased to provide comments on the ED1 FIRST-TIME APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (the "Exposure Draft"). We support the Exposure Draft proposing the first-time application of IFRS and certain exemptions from the requirements in other IFRSs. However, we have outlined below our specific concerns and recommendations with respect to the Exposure Draft.

Scope

Paragraph 5 of the Exposure Draft addresses the case where a subsidiary has reported to its parent in the previous period using IFRSs without presenting a full set of financial statements under IFRSs. In such cases, if the subsidiary meets certain conditions in order to avoid a restatement of the IFRS measurements already reported to the parent, according to the Exposure Draft, the subsidiary would not be treated as a first-time adopter for recognition and measurement purposes.

However, we believe that this treatment could be achieved by the application of Paragraph 13, even though the subsidiary does not meet either condition required by Paragraph 5 (a) and (b). Accordingly, Paragraph 5 is not necessary.

Exemptions from requirements in other IFRSs

Property, plant and equipment

Paragraph 16 states as an example that if an entity did not maintain a register of property, plant and equipment, reconstructing reliable cost-based measurements for certain items may involve undue cost or effort. Also, Paragraph 35 requires an entity to explain why the measurement required by IFRSs would involve undue cost or effort. The example for this disclosure illustrating that the entity did not maintain a register of property, plant and equipment is not appropriate. Accordingly, we recommend that this example in Paragraph 16 be deleted.

Financial instruments

The reinstating of financial assets or financial liabilities previously derecognized under previous GAAP at the date of transition to IFRSs, using IAS 39 effective as of the reporting date, may involve undue cost or effort. If this is the case, we recommend that an exemption allowing an entity to prospectively apply IAS 39 to transactions occurring after the date of transition to IFRSs be added.

Main features of this [draft] IFRS

We recommend that the following paragraphs be added to “Main features of this IFRS” in order to promote a better understanding:

- (i) The first-time adopter shall use the same accounting policies throughout all periods presented its first IFRS financial statements, and also in its opening IFRS balance sheet. Those accounting policies shall comply with each IFRS effective at the reporting date for its first IFRS financial statements and not adopt the transitional provisions in IFRSs.
- (ii) Instead of the application outlined above (i), the first-time adopter can present its first IFRS-based financial statements using the exemptions in Paragraphs 14 - 24. In this case, the first-time adopter should comply with each IFRS effective as of the reporting date for its first IFRS financial statements and not adopt the transitional

provisions in IFRSs.

- (iii) Alternatively, the first-time adopter can apply the IFRSs that were effective in each period to its financial statements prepared under IFRSs. The first-time adopter should apply the different versions of IFRSs including the transitional provisions in IFRSs that were effective at earlier dates, but not use the exemptions in Paragraphs 14 - 24. For disclosure purposes, the financial statements should meet all the requirements stipulated in this [draft] IFRS.

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We would be pleased to discuss any aspect of this letter with the IASB or its staff at your convenience.

Very truly yours,

Michiyoshi Sakamoto
Chairman
Technical Committee for IASB