



29 January 2009

Sir David Tweedie
Chairman
IASB
30 Cannon Street
London EC4M 6XH

United Kingdom

E-mail: commentletters@iasb.org

Ref.: ACC/HvD/SS/LF/SR

Dear Sir David,

**Re: FEE Comments on IASB Exposure Draft of proposed amendments to IFRS 1
*Additional Exemptions for First-time Adopters***

- (1) FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the IASB Exposure Draft of proposed amendments to IFRS 1 *Additional Exemptions for First-time Adopters* (the "ED").
- (2) As a founding organisation of EFRAG, we have also contributed to the EFRAG consultation process by submitting the FEE comments on EFRAG's Draft Comment Letter issued by EFRAG on 24 November 2008. EFRAG has issued its final comment letter on 28 January 2009. We have considered the EFRAG Comment Letter in our response and made reference to the EFRAG comments where relevant.
- (3) We support EFRAG and agree in general with the proposed amendments in the ED.

Our responses to the questions in the Invitation to Comment of the ED are included as an Appendix to this letter.

For further information on this letter, please contact Ms Saskia Slomp from the FEE Secretariat.

Yours sincerely,

Hans van Damme
President

Responses to the questions in the Invitation to comment of the IASB Exposure Draft of proposed amendments to IFRS 1 *Additional Exemptions for First-time Adopters*

Question 1—Deemed cost for oil and gas assets

The exposure draft proposes that an entity that used full cost accounting under its previous GAAP may elect, at the date of transition to IFRSs, to measure exploration and evaluation assets at the amount determined under the entity's previous GAAP and to measure oil and gas assets in the development or production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date.

Do you agree with the proposed deemed cost option for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

- (4) We support EFRAG and agree with the proposal in the ED to grant first-time adopters using full cost accounting under previous GAAP some relief from the existing IFRS requirement to determine the carrying amounts for oil and gas assets at the date of transition to IFRS.
- (5) We support EFRAG and agree with the proposal to require a test for impairment at the date of transition to IFRS for exploration and evaluation assets and assets in the development and production phases, in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources or IAS 36 Impairment of Assets, in particular in order to provide a suitable starting point for accounting under IFRS.
- (6) We support EFRAG and agree with the proposal in the ED to grant first-time adopters some additional relief from existing IAS 16 which requires that the cost of an item of PP&E shall include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, since we understand that, in relation to oil and gas assets, using the current relief available under IFRS 1 would require detailed calculations that would often not be practicable for such assets.

Question 2—Oil and gas assets—disclosure

The exposure draft proposes that if an entity uses the exemption described in Question 1 above, it must disclose that fact and the basis on which it allocated the carrying amounts to the underlying assets.

Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

- (7) We support EFRAG and agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets.

Responses to the questions in the Invitation to comment of the IASB Exposure Draft of proposed amendments to IFRS 1 *Additional Exemptions for First-time Adopters*

Question 3—Deemed cost for operations subject to rate regulation

The exposure draft proposes an exemption for an entity with operations subject to rate regulation. Such an entity could elect to use the carrying amount of items of property, plant and equipment held, or previously held, for use in such operations as their deemed cost at the date of transition to IFRSs if both retrospective restatement and using fair value as deemed cost are impracticable (as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

- (8) We support EFRAG and agree with the proposal in the ED to grant first-time adopters with operations subject to rate regulation some relief from the existing IFRS on the basis that it can be difficult to apply them.
- (9) We support EFRAG and agree with the proposal to require a test for impairment when an entity takes advantage of the proposed relief, for the same reason that we support the impairment test at the date of transition when the proposed deemed cost option is taken as discussed in Question 1.

Question 4—Leases

The exposure draft proposes that if a first-time adopter made the same determination under previous GAAP as that required by IFRIC 4 *Determining whether an Arrangement contains a Lease* but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts IFRSs.

Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

- (10) We support EFRAG and agree with the proposal in the ED that, if a first-time adopter made the same determination under previous GAAP as that required by IFRIC 4 *Determining whether an Arrangement contains a Lease* but at a date other than that required by IFRIC 4, the first time adopter need not assess that determination when it adopts IFRSs.

Responses to the questions in the Invitation to comment of the IASB Exposure Draft of proposed amendments to IFRS 1 *Additional Exemptions for First-time Adopters*

Question 5—Assessments under previous GAAP before the date of transition to IFRSs

The Board considered whether to modify IFRS 1 so that entities need not reassess, at the date of transition to IFRSs, prior accounting if that prior accounting permitted the same prospective application as IFRSs with the only difference from IFRSs being the effective date from which that accounting was applied. In this regard, the Board noted that any such proposal must apply to identical, rather than similar accounting, because it would be too difficult to determine and enforce what constitutes a sufficient degree of similarity. The Board decided not to adopt such a modification because it concluded that the situation referred to in Question 4 is the only one in which relief of this type is needed.

Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

- (11) Like EFRAG, we are not aware of any other situations in which the situation referred to in Question 4 arises.