Federation of European Accountants
Fédération des Experts comptables Européens

21 January 2009

Mr. Stig Enevoldsen
Chairman
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EFRAG
Square de Meeûs 35
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E-mail: commentletter@efrag.org

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

Dear Mr. Enevoldsen,

**Re: FEE Comments on EFRAG's Draft Comment Letter 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 EFRAG Draft Comment Letter on the IASB Exposure Draft of proposed amendments to IFRS 1 *Additional Exemptions for First-time Adopters* (the "ED").

(2) We support EFRAG and agree in general with the proposed amendments in the ED.

(3) Like EFRAG, we also have some concerns about the industry-specific nature of the exemptions being proposed. We support EFRAG encouraging the IASB to do what it can to ensure that the principles-based and generic approach previously adopted in IFRS 1 continues to apply.

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

**Appendix**

**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?**

Proposed new paragraph 19A of IFRS 1, and related consequential amendments

(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.

Proposed new paragraph 25EA of IFRS 1, and related consequential amendments

(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 to Constituents**

The proposed additional exemptions discussed above are available only in relation to oil and gas assets; not to extractive industry exploration and evaluation assets and extractive industry development and production assets in general. EFRAG is not aware of any demand for similar exemptions for other extractive industries, but would particularly welcome comment on the issue. Are you aware of any other extractive industries that may have similar problems at transition to IFRS as the ones described above and, if you are, please could you provide us with some information about the circumstances involved and your view as to whether the proposed exemption should be extended to cover such circumstances?

**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***

(7) We are not aware of any other extractive industries that may have similar problems at transition to IFRS.

**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?**

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

**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?**

(9) 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.

(10) 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?**

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(11) 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.

**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?**

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

**OTHER COMMENTS**

(13) We support the detailed comments in paragraph 19 of EFRAG's Draft Comment Letter noting that the proposed exemptions discussed in Questions 1 to 3 above are industry specific exemptions, and raising the concern about including industry specific exemptions in IFRS 1, because as pointed out by EFRAG it could mean an almost never-ending stream of exemptions being added to IFRS 1 as new transition issues are found in different industries around the world.

(14) We support EFRAG encouraging the IASB to do what it can to ensure that the principles-based and generic approach previously adopted in IFRS 1 continues to apply.

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