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International Accounting Standards Board®

Press Release

31 July 2002

IASB PUBLISHES PROPOSALS TO EASE THE TRANSITION TO INTERNATIONAL STANDARDS

The International Accounting Standards Board (IASB) today published for public comment proposals on how an entity should make the transition to International Financial Reporting Standards (IFRSs) from another basis of accounting. The proposals are set out in exposure draft ED 1 *First-time Application of International Financial Reporting Standards*, on which the IASB invites comments by 31 October 2002.

The purpose of the proposals is to ensure that all entities adopting IFRSs for the first time present comparative information in their financial statements that is as close as possible to the information provided by existing users, but within cost/benefit constraints. The proposals therefore include targeted and specific exemptions, notably where retrospective application is likely to cause undue cost or effort.

The proposals would require an entity to comply with every IFRS current in the first year when it first adopts IFRSs. They would also require first-time preparers of financial statements under IFRSs to disclose how the transition to international standards affected the entity's reported financial position, financial performance and cash flows. The proposals are designed both to ensure that investors have sufficient information to analyse the entity's first financial statements using IFRSs, and to minimise the cost of transition for preparers of accounts.

Introducing the exposure draft, Sir David Tweedie, IASB Chairman, said:

“These proposals are very timely, considering the growing demand for high quality international standards and the prospect of thousands of companies turning to international accounting standards. The impact will be felt far beyond the EU as the list of countries requiring companies to report using international standards grows. Only four weeks ago, Australia proposed a similar move. The proposals in ED 1 are

designed to ease the transition for all concerned and result in high quality information that is transparent for users and comparable over all periods presented.”

Sir David emphasised that the development of the exposure draft demonstrated the role that national bodies play in the IASB’s deliberations. Sir David remarked, “The French Conseil National de la Comptabilité (CNC) has been an active participant in the development of the proposals, and the IASB has benefited greatly from its input.”

Copies of the exposure draft ED 1 *First-time Application of International Financial Reporting Standards* (ISBN 1-904230-00-8) are available, at £15.00 each (€25/US\$23) including postage, from: IASB Publications Department, 7th Floor, 166 Fleet Street, London EC4A 2DY, United Kingdom. Tel: +44 (0)20 7427 5927, Fax: +44 (0)20 7353 0562, Email: publications@iasb.org.uk Web: www.iasb.org.uk Subscribers to the IASB’s *Comprehensive Subscription Service* can view the exposure draft from the secure subscriber area of the IASB’s Website. From 12 August the complete text of the exposure draft will be freely available from the Website.

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NOTES TO EDITORS

- 1 The proposals in ED 1 would replace existing requirements in Interpretation SIC-8 *First-time Application of IASs as the Primary Basis of Accounting* by:
 - clarifying that in most cases an entity applies only the latest version of International Financial Reporting Standards (IFRSs);
 - proposing that an entity’s estimates under IFRSs at the date of transition to IFRSs would be consistent with estimates made for the same date under an entity’s previous accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error; and

- comparing the financial statements under IFRSs to an entity's reported financial position, financial performance and cash flows, derived from its previous accounting standards.
- 2 On 7 June 2002 the European Union adopted a Regulation that will require publicly traded companies to use International Accounting Standards (IASs) and IFRSs in their consolidated accounts by 1 January 2005, after a formal EU endorsement process. There will be a temporary exception for companies that are currently traded in the United States and use US generally accepted accounting principles (GAAP), and for companies that have issued debt instruments but not equity instruments. Those companies will be required to comply with international standards by 1 January 2007.
 - 3 On 3 July the Financial Reporting Council of Australia formally endorsed the adoption of IFRSs by Australian reporting entities by 1 January 2005, in line with Australian Government policy and legislation calling for the international convergence of accounting standards. Final approval of this proposal will require legislation.
 - 4 In an innovation designed to help interested parties comment on its proposals, the International Accounting Standards Board (IASB) is publishing ED 1 as three separate booklets. The first contains the mandatory requirements of the proposed standard; the second contains the IASB's Basis for Conclusions, which sets out the IASB's reasoning behind its proposals; and the third consists of draft non-mandatory implementation guidance.
 - 5 The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 13 current IASB members (12 of whom are full-time) reside in nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.