Mr Fabrice Demarigny,
Secretary General,
CESR
11-13 Avenue de Friedland,
PARIS
75008

Dear Mr Demarigny

DRAFT RECOMMENDATION FOR ADDITIONAL GUIDANCE REGARDING THE TRANSITION TO IFRS

Thank you for giving the Chartered Institute of Management Accountants (CIMA) the opportunity to comment on this consultation. CIMA is a global professional body specialising in management accounting. CIMA represents over 77,000 students and 60,000 members in 155 countries.

The responses to your specific questions are attached below. There are also general points that we think it important to make.

Some guidance on disclosure during the transition phase from local GAAP to IFRS is desirable, and accordingly we welcome the initiative to co-ordinate and consult on the CESR recommendations to the local regulators who are CESR Members. A more extended consultation period would have been helpful, to allow proper consideration of these quite complex issues.

The draft recommendations have been prepared against a background where it is intended that the 'stable platform' of IFRS to be adopted on 1 January 2005 is published by 31 March 2004. This does not allow much time for companies with December year-ends to produce and publish the information required by the draft recommendations for 2003 financial statements, especially for companies who report quickly. If the situation on the adoption by the Commission of IAS32 and 39 has not been resolved by then, then compliance with this part of the recommendation will not be possible.

It is not clear to us whether this recommendation will be in the nature of guidance, to be complied with on a voluntary basis, or whether it is intended to have the force of law everywhere, or whether this will be left to the individual regulators. We think that guidance on this issue is more appropriate than compulsion, because of the inherent uncertainties.

We think the final recommendation should contain a recommended form of words expressing the uncertainties of predicting the impact of new standards on unknown results in advance of both completing the necessary work and also, where appropriate, of designing and implementing new software. This would have the advantage both of not misleading the investors as to the reliability of the narrative produced and of encouraging companies to report openly.

Following the same idea we do not think this statement should form part of the audited accounts, though obviously it will be subject to audit review as all material published with the accounts is.

Yours sincerely

Nick Topazio **Jim Metcalf**

Nick Topazio
Business & Financial Reporting Specialist
Financial Reporting Development Group
Direct Tel: 07855 198893
Direct Fax:
E-mail: nick.topazio@cimaglobal.com

Jim Metcalf
Chairman of Financial Reporting Development Group

01732 740554
0845 280 2323
jim@jimmetcalf.co.uk

CESR Question 1

Do you consider it useful that CESR members provide recommendations to European listed companies on how to disclose financial information to the markets during the phase of transition from local GAAP to IFRS?

Yes, as best practice guidelines

CESR Question 2

Do you agree that European listed companies should be encouraged to prepare the transition from local GAAP to IFRS as early as possible?

Yes, but companies need to know to what IFRS they are making the transition. Factors affecting the transition should be made clear to investors.

CESR Question 3

Do you agree that that those companies should also be encouraged to communicate about this transition process? If yes, are the 4 milestones identified by CESR for such communication appropriate?

Yes, but the communication should reflect any inherent uncertainties. Quantitative information should only be disclosed when the implementation of IFRS is sufficiently advanced so as to be able to reasonably assess the financial impact. The milestones are appropriate.

CESR Question 4

What are your views on an encouragement to listed companies to disclose narrative information about their process of moving to IFRS and about the major identifiable differences in accounting policies this transition will bring about? Do you consider it appropriate to include such information in the 2003 annual report or in the notes to the 2003 financial statements?

We believe it will be useful to make some comment. We do not consider that the narrative on the plans and achievements relating to the transition is likely to be useful. In practice most companies are likely to say that their finance teams, advised by their auditors, are working on the project. Comment on the identifiable differences is more likely to be useful if companies are not required to pretend to a certainty they do not feel. See our general comments on disclosure of inherent uncertainty. In practice comments are likely to be very cautious. The comment should definitely not form part of the notes to the accounts, as to do so would be likely to constrain openness. It will also present difficulties for auditors and be less accessible to investors.

CESR Question 5

Do you believe that listed companies should be encouraged not to wait until beginning 2006 for communicating about the impact of the transition to IFRS on the 2004 financial statements if *such information is available earlier? Do you agree that quantified information in this regard should be given as soon as possible?*

In general, we agree that all investors should have information as soon as it is available. Again some caveats on uncertainties may be necessary.

CESR Question 6

Is it appropriate to refer to the Implementation Guidance published by IASB in connection with the IFRS1 for defining which quantified information should be disclosed as a result of the recommendation in § 11 and § 12? Do you believe other disclosures should be envisaged? Do you agree with inclusion of such information in the annual report or in the notes to the financial statements?

Yes, we agree with the reference to the Implementation Guidance.
We believe the disclosures envisaged will be sufficient and that they should be contained within the Report and not the Notes.

CESR Question 7

Do you agree with the principle that any interim financial information published as of 2005 by listed companies should be prepared using the accounting standards that are to be used by those companies for the 2005 year end financial reporting, i.e. IFRS, in the way indicated here under?

Yes

CESR Question 8

Do you agree that when listed companies do not elect to apply IAS34 for quarterly information published in 2005, they should be encouraged to prepare and disclose financial data by applying IFRS recognition and measurement principles to be applicable at the year-end?

Yes

CESR Question 9

Do you agree with the proposed encouragement for European listed companies to either fully apply IAS34 for half yearly reporting as from 2005 or, if this standard is not applied, to prepare the key half-year financial data that are to be published, in conformity with IFRS recognition and measurement principles to be applicable at the year-end?
Yes

CIMA

CESR Question 10

CESR considered different possibilities for the presentation of comparative information for the corresponding period(s), but concluded that the above proposed solution could appropriately serve users of financial information without imposing too burdensome requirements on issuers. Do you concur with the proposed solutions? In particular, do you agree with the proposals that:

A. *Comparative figures should be provided and restated using same accounting basis as for the current year;*
B. *Previously published information for the previous period may be provided again;*
C. *Explanation of restatement of comparative figures should be given;*
D. *In case of presentation of financial statements over 3 successive periods the restatement of the first (earliest) period could not be required;*
E. *Indicative format ("bridge approach") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated.*

Yes, this seems a sensible format

CESR Question 11

Do you agree that, in addition to the presentation of comparative information in conformity with IFRS1 (i.e. prepared on the basis of IFRS provisions), it could be deemed useful to present again the comparatives prepared on the basis of previously applicable accounting standards?

Yes

CESR Question 12

Do you agree that, when presentation of financial statements over 3 successive periods is required, it would be acceptable not to require the restatement to IFRS of the first (earliest) period? If yes, do you agree with the indicative format ("bridge approach") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated?

Yes and yes.