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Dear Sir

**CESR Consultation Paper European Regulation on the Application of IFRS in 2005:
Draft Recommendation for Additional Guidance regarding the transition to IFRS**

The German Accounting Standards Committee (GASC) appreciates the opportunity to comment on the "Draft Recommendation for Additional Guidance Regarding the Transition to IFRS". GASC considers the transition to IFRS a significant change for entities and thus guidance as vital. When writing our comments we considered decision usefulness on the one hand and cost/benefit constraints on the other hand as a benchmark to follow.

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 to transition from local GAAP to IFRS?

In general, we are of the opinion that guidance on financial information disclosure is of great importance for first-time adopters; however, requirements and interpretative guidance should only be provided by the IASB and IFRIC. Principle 20 of CESR's Standard No. 1 states that no general guidance on IFRSs will be issued by the enforcers. We fully subscribe to this principle, specifically to "harmonization requires that enforcers should not attempt to create a parallel body of interpretations".

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?

We fully agree.

Question 3



Do you agree 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?

We agree that the transition process is determined by the financial statements dates set out in IFRS 1. The draft recommendation defines these dates as milestones, however, specifies the milestones for a first time adopter presenting its first IFRS annual financial statement for the year ending 31.12.2005. We believe that the specific dates may be misleading and thus recommend that the wording for those “milestones” should rather be adopted from IFRS 1, i.e. date of transition, end of transition period, first IFRS reporting period.

Furthermore we understand that neither IFRS 1 nor IAS 34 requires entities to present interim financial reporting in accordance with IAS 34. This requirement can only be set through legislation or on the basis of private agreements between a stock exchange and listed entities. Thus, interim reporting is not unequivocally a milestone. However, GASC recommends requiring entities presenting their first IFRS financial statements for periods beginning on or after 1.1.2005 to prepare interim financial reporting in accordance with IAS 34. Thus we agree that interim financial reporting is a “milestone”.

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 are of the opinion that requirements for disclosure of narrative information about the transition process and major differences that may arise when moving from local GAAP to IFRS have to be seen in the light of cost and benefit. Ideally, entities are in a position to quantify major differences between local GAAP and IFRS at the date of transition or very soon after. Experience has shown, however, that the opening IFRS balance sheet at the date of transition is a “moving target” not finalised at the time the annual report under local GAAP has to be presented. Taking into consideration the fact that some IASB projects will not be finalised before 31.3.2004 it seems unrealistic that detailed information will be available. Thus, vague information that may have to be amended in due course from our point of view does not enhance the benefit for users.

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, information should be published timely and entities should be encouraged to present information as soon as possible. However, we think that this could be achieved by requiring first-time adopters to present interim financial reports in accordance with IAS 34 in the first IFRS annual financial statements period (refer to Q 8).

Question 6

Is it appropriate to refer to the Implementation Guidance published by IASB in connection with the IFRS 1 for defining which quantified information should be disclosed as a result of the recommendations 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?



We believe that IFRS 1 includes comprehensive requirements concerning information to be disclosed and thus additional requirements are considered inappropriate.

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?

We agree.

Question 8

Do you agree that when listed companies do not elect to apply IAS 34 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 year end?

We understand that the debate on the transparency directive is still ongoing and the outcome and timing of its transformation into national law is uncertain. Furthermore, the European stock exchanges have not yet agreed to a common approach whether interim financial reporting should be prepared in accordance with IAS 34 in the first IFRS financial reporting period. However, for periods beginning on or after 1.1.2005 consolidated financial statements have to be prepared in accordance with IFRS. Thus we believe that IAS 34 should be applied as well. As interim financial reporting would effectively compel entities to report 3 quarters earlier under IFRS, i.e. as of 31.03.2005 rather than 31.12.2005, entities may avoid interim financial reporting if it is not required unambiguously. We would welcome clarification that IAS 34 should be applied for interim financial reporting in the first IFRS financial reporting period starting on or after 01.01.2005.

Question 9

Do you agree with the proposed encouragement for European listed companies to either fully apply IAS 34 for half yearly reporting as from 2005 on, 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 year end?

No, we would welcome a requirement clarifying that IAS 34 has to be applied for interim financial reporting in the first IFRS financial reporting period starting on or after 01.01.2005.

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 statement 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?

If entities are required to present interim financial reporting in the first IFRS financial statements period in accordance with IAS 34, GASC considers the requirements concerning presentation of comprehensive figures set out in IFRS 1 comprehensive. Hence, if interim reporting under IAS 34 is mandatory, no additional requirements are considered necessary.



Question 11

Do you agree that, in addition to the presentation of comparative information in conformity with IFRS 1 (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?

We are of the opinion, that the reconciliations required by IFRS 1 provide sufficient information concerning the effects of transition from local GAAP to IFRS. Thus we believe presenting the 2004 figures under previous GAAP in the 2005 financial statements does not enhance the informational value for users.

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?

We understand that European entities listed in the US have to present comparative information for two years under IFRS before reconciling to US GAAP. Thus, GASC is of the opinion that CESR requires entities to restate 2 comparative periods as well. Furthermore, we wonder whether this question is raised very late, as we understand that the second comparative period is the year 2003 and thus entities need to have made a decision on that issue months ago.

We would be pleased to enlarge on any of these comments if that would be helpful to CESR.

Yours sincerely,

Liesel Knorr
Secretary General