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Berlin, 13 January 2009

Sir David Tweedie  
Chairman of the  
International Accounting Standards Board  
30 Cannon Street

London EC4M 6XH  
United Kingdom

Dear David,

**Exposure Draft Additional Exemptions for First-time Adopters: Amendments to IFRS 1**

On behalf of the German Accounting Standards Board (GASB), I am writing to comment on the IASB Exposure Draft Additional Exemptions for First-time Adopters: Amendments to IFRS 1. We appreciate the opportunity to comment on the Exposure Draft.

The GASB supports the IASB's objective to develop principle-based standards. We understand that the exemptions for first-time adopters often do not meet this objective. With regard to the need for the reliefs proposed in the Exposure Draft the GASB agrees with the proposed exemptions in general.

We also agree with the proposed deemed cost option for operations subject to rate regulations. However, in our opinion the exemption should not be limited to rate regulated operations but should also apply to other regulated operations where carrying amounts include imputed cost. Therefore, a broader definition should be developed for all operations that are regulated.

If you would like to discuss any aspects of this letter in more detail, please do not hesitate to contact me.

Yours sincerely,

*Liesel Knorr*  
President

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## Appendix – Answers to the questions of the exposure draft

### Deemed cost for oil and gas assets

**Question 1:** 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?

- 1 The GASB in general agrees with the proposed exemptions for first-time adopters to use previous GAAP carrying amounts for oil and gas assets. However, the GASB is unable to assess the cost-benefit effects of that relief, since all German entities in that industry are already applying IFRS.

### Oil and gas assets - disclosure

**Question 2:** Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

- 2 We agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets.

### Deemed cost for operations subject to rate regulation

**Q3:** 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?

- 3 The GASB fully agrees with the proposed deemed cost option for entities with operations subject to rate regulation. However, we believe that the proposal should also be warranted for other regulated operations where carrying amounts include imputed cost (e.g. volume regulation).
- 4 If an entity makes use of the proposed deemed cost option, we strongly recommend that this fact be disclosed.

### Leases

**Question 4:** 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?

- 5 Our understanding is that this exemption applies to scenarios as outlined in the following example: An entity accounts for a lease under previous GAAP in 2004. In 2007, the jurisdiction in which this entity operates commences to allow accounting for leases either according to previous GAAP or according to the guidance in IAS 17.



At that time the entity makes the assessment that its lease accounting is in line with the guidance in IAS 17. In 2011 the entity is a first-time adopter of IFRS; according to the proposed exemption it will not be required to again reassess the lease because only the date of assessment is distinct from the one required under IFRSs.

- 6 Based on this understanding we agree that a first-time adopter shall not be required to perform a reassessment according to IFRS 1, if the entity has applied the determination required under previous GAAP as described in IFRIC 4.

**Assessment under previous GAAP before the date of transition to IFRSs**

**Question 5:** 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 situation is relief necessary and why?

- 7 We disagree with the IASB's decision not to adopt a more general modification to IFRS 1. We believe that there could be other circumstances in which a first-time adopter applies requirements under previous GAAP that correspond with IFRSs. For example, in our opinion IFRIC 9 – *Reassessment of Embedded Derivatives* could also be an accounting requirement for which a relief is necessary for first-time adopters applying accounting guidance in compliance with IFRSs.
- 8 Therefore, the GASB proposes a more principle based modification to IFRS 1 so that at the date of transition to IFRSs entities need not reassess, if they applied previous GAAP that corresponds with IFRSs, with the only difference being the effective date per which that accounting was applied.