

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

Paris, December 3, 2010

RE: Exposure Draft ED/2010/12: Severe Hyperinflation – Proposed amendment to IFRS 1

Dear Madam/Sir,

We are pleased to comment on the above mentioned Exposure Draft (ED) presenting views of the IASB on how entities should resume presenting financial statements in accordance with IFRSs after a period of severe hyperinflation.

Overall, we agree with the decision made by the Board to amend IFRS 1 *First-time Adoption of International Financial Reporting Standards*, instead of IAS 29, *Financial Reporting in Hyperinflationary Economies*. In our opinion, an entity that was unable to comply with IFRSs and IAS 29 in particular, because its functional currency was that of an economy subject to severe hyperinflation, shall be considered as a first-time adopter when its functional currency ceases to be the currency of a severely hyperinflationary economy.

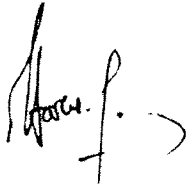
We understand that the initial request received by the IFRS Interpretations Committee aimed at solving a relatively urgent issue. Given that IFRS 1 does not provide exemptions from the presentation and disclosure requirements in other IFRSs, we would like to point out that entities in the scope of the severe hyperinflation exemption may not be able to present financial statements that comply with IFRSs as early as December 31, 2010, if the functional currency normalisation date occurred in the course of 2010. This is because an entity's first IFRS financial statements shall include at least three statements of financial position in accordance with IAS 1.

Our answers to the specific questions raised in this ED are presented in the attached appendix.

In addition, we would like to draw the Board's attention to the difficulties to apply in practice current IAS 29 provisions. We recommend that the Board considers taking into its agenda after the June 30, 2011 deadline a project to improve accounting in hyperinflationary economies.

We would be pleased to discuss our comments with you and are at your disposal should you require further clarification or additional information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michel Barbet-Massin', with a stylized flourish at the end.

Michel Barbet-Massin
Head of Financial Reporting Technical Support

Appendix to our letter on the ED Severe Hyperinflation – Proposed amendments to IFRS 1

Question 1 – Severe hyperinflation exemption

The Board proposes adding an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. This exemption would allow an entity to measure assets and liabilities at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

Do you agree that this exemption should apply when an entity prepares and presents an opening IFRS statement of financial position after being subject to severe hyperinflation?

Why or why not?

We agree that the exemption proposed in the ED should apply when an entity prepares and presents an opening IFRS statement of financial position after being subject to severe hyperinflation.

However, we note that paragraph D30 indicates that an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date. The normalisation date is the date when the functional currency no longer has the characteristics of a currency of a hyperinflationary economy, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation. In our opinion, the proposed exemption shall be limited to situations where the date of transition to IFRSs is, at the latest, the first opening balance sheet date immediately following the functional currency normalisation date. Otherwise, it may be improper to use the exemption.

Besides, we note that the exemption proposed is wider than the one presented in current paragraphs 30 and D5-D7 of IFRS 1. The use of fair value as deemed cost is limited, in these paragraphs, to items of property, plant and equipment, investment property or intangible assets. For intangible assets, one of the conditions to apply the exemption is that an active market must exist. BC 12 of the ED indicates that the expansion of the scope of the deemed cost exemptions provides a practical solution to providing guidance on how an entity can resume presenting financial statements in accordance with IFRSs. However, we wonder how, in practice, the fair value of intangible assets for which no active markets exist will be measured.

Finally, this latter comment raises another question as regards the severe hyperinflation exemption: shall the fair value as deemed cost exemption be applied to all assets and liabilities recorded in the opening balance sheet when an entity elects to use this exemption? Or can an entity, as it is suggested in paragraph BC13 of the ED, elect to apply other guidance in IFRS 1 to measure "specific" assets and liabilities (for example when measuring assets and liabilities that were not affected by severe hyperinflation). Accordingly, we believe the final amendment to IFRS 1 should state more explicitly whether the exemption shall be applied to all assets and liabilities when an entity elects to apply it, or whether it could be applied to some items only.

Question 2 – Other comments

Do you have any other comments on the proposals?

Please refer to our comment on the comparative information in our cover letter.