

## DUTCH ACCOUNTING STANDARDS BOARD (DASB)



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Our ref: AdK  
Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0302  
Date : Amsterdam, January 25, 2011  
Re : Comment on 'Request for Views on Effective Dates and Transition Methods'

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to your draft comment letter on the IASB Request for Views on Effective Dates and Transition Methods.

Although we do concur with the contents of your draft comment letter, we only do so from a practical point of view. In our opinion the issue in question requires a more fundamental approach in its solution. As a result we have decided not to react to the request in detail but instead provide the IASB with our view on a more principled approach in addressing these matters. We have attached our letter to the IASB to this letter.

We would be pleased if you would consider our views in your final letter, as we do believe that this matter should be addressed from a different, more fundamental perspective. We would be happy to discuss or give you any further information that you may require.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Hans de Munnik', written over a thin horizontal line.

Hans de Munnik  
Chairman Dutch Accounting Standards Board

Appendix:

- Copy letter to the IASB

International Accounting  
Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Our ref : AdK  
Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0302  
Date : Amsterdam, January 25, 2011  
Re : Comment on 'Request for Views on Effective Dates and Transition Methods'

Dear members of the International Accounting Standards Board,

We appreciate the opportunity to respond to your Request for Views on Effective Dates and Transition Methods.

Whilst we understand the concerns expressed in your request, we believe that this issue requires a more fundamental approach in its solution. As a consequence we do not react to your request in detail but instead focus on a more principled approach in addressing the matter in question.

In our view we would expect you to develop a more structured view on the implementation steps in the whole process of drafting, commenting, discussing and releasing a standard. The fact that for a variety of reasons the world is currently faced with a significant number of standards that individually and in combination will require a (very) substantial implementation effort from preparers, users and auditors, with in addition related system changes in some cases, should on its own not trigger the question whether special thought should be given to effective dates.

In our opinion, the implementation challenges resulting from the effective date considerations should have been part of the creation process of a new standard from the very first day of that process. That argues in our view for an implementation framework against which the release of any new standard (or a substantially changed standard for that matter) should be measured.

Aspects that should be considered in such a framework are:

1. It should be principle-based, so it can be applied generically to the implementation of any standard.
2. It should address timeline considerations between the release of a new or (significantly) changed standard and the effective date; specific considerations in this

context are the time needs of in particular preparers in developing an understanding of the new standard and its impact, in identifying and implementing any required system changes and in communicating to investors the potential impact of the standard on its financial reporting; In addition, users and auditors will also need to consider the impact of any new standard.

3. Time needs may differ between standards, but a minimum period of say 2 years may be appropriate for any new standard to cover such matters. The results of pre-impact studies may lead to variations in the period required. Sometimes this may result in a longer period, but in the case of amendments to an existing standard this might be a shorter period.
4. In the case of the releases of closely related standards in a short period of time a single date point should be considered in preference to a sequential approach.
5. Criteria should be developed to determine the transition method required for new or (significantly) changed standards; historically the IASB has opted for the full retrospective approach; if that continues to be the basis, then arguments should be developed as to why in certain instances a limited retrospective or prospective transition method is better than that first principle.

In a broader context there are other aspects that have an impact on these issues. Appropriate planning of the agenda from the first considerations to the effective dates for new standards is one that comes to mind first. Pre-impact and cost/benefits studies in the early phase of any project are others. In our view, process management and scheduling of new standards should always be carried out continuously with the final implementation step in mind, particularly in order to avoid the bunching up of the release of new standards around the same date.

In conclusion, our view is that your effective dates request should be considered against such a framework.

However, we understand that developing such a framework will require time and that at present there is a need to conclude on the effective date of the standards referred to in your request.

For that reason, we support on the whole the comments made by EFRAG in this respect, but only from a practical point of view. For your convenience we have attached this draft EFRAG letter as appendix. On certain specific issues we have made comments in earlier responses to exposure drafts, which may differ from EFRAG, and which we believe are important to repeat here:

- 1 On Insurance Contracts there is a broad consensus here that the transition proposal is unacceptable. The proposal will result in freezing the unrecognized profit margins on the in-force business at transition. With the gradual release of residual margins on new business created after implementation, insurers will show a non-existent growth in underwriting margins for many years, which we believe is misleading. In our view, the IASB should work together with the industry to resolve this issue.

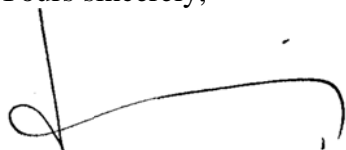
- 2 In addition, it is in our opinion necessary to align the implementation date of Insurance Contracts and IFRS 9 to minimise the impact on systems and those resulting from accounting options.
- 3 For Leases, we believe that the transition requirements should address how entities should account for any deferred income from past sale and lease-back transactions.
- 4 We have not supported Revenue from Contracts with Customers; if, however, you persist in implementing that particular standard retrospectively, then in our view at least two full reporting years are needed between adopting this standard and the effective date in order to allow reporting entities to implement this standard effectively.
- 5 On IAS 19, we believe that to the extent that reporting entities need to collect additional information retrospectively, transitional exemptions should be provided to support an appropriate cost/benefit balance.

However, all in all we think that there is an urgent need for you to consider and decide on an implementation framework as suggested above. In our view this should be taken on the agenda of the IASB in the short term in order to avoid any further ad hoc decisions in future. Also, it would in our view be preferable to decide on such issues on a generic basis rather than being pressed by the circumstances. In addition, we do not think that this is a project of such magnitude that it cannot be completed within a few years.

Therefore, whilst in essence from a practical point of view we have no problem with the proposed deferral of the effective dates in general of the standards covered in your request, we believe that any final decision should be taken on the basis of such a framework rather than depend on the merits of whatever responses are gathered as a result of your request.

We will be happy to provide you with more background to our views or discuss this in more detail with you, should you so wish.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hans de Munnik', with a long horizontal stroke extending to the right.

Hans de Munnik  
Chairman Dutch Accounting Standards Board

Appendix:

- Draft comment letter of EFRAG on 'Request for Views on Effective Dates and Transition Methods'