



30 November, 2010

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

Dear Board Members:

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF), the accounting standard setting body in Mexico, welcomes the opportunity to submit its comments on the exposure draft for the proposed amendment to IFRS 1, First-time Adoption of International Financial Reporting. Set forth below you will find our responses to the questions included in the exposure draft.

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?

In general we agree that the use of fair values may be a good alternative when the entity suffered a severe inflation.

However, we consider that:

- It is necessary to include in the Standard guides for determining such fair values. As an example we consider that fair values should be recognized only in non monetary items.
- There is doubt in how to determine fair values in an economy that suffered from severe inflation and currently has, perhaps, illiquid markets. IAS 38, *Intangible Assets* establishes that current values must be referred to market to permit them to be used in the accounting recognition.
- In general terms, it is necessary to include in the Standard guides for the application of the exception proposed for its inclusion in IFRS 1.

Should you require additional information on our comments listed above, please contact Elsa Beatriz García Bojorges at (52) 55 5596 5633 ext. 113 or me at (52) 55 5596 5633 ext. 103 or by e-mail at egarcia@cinif.org.mx or fperezcervantes@cinif.org.mx, respectively.

Sincerely,

C.P.C. Felipe Perez Cervantes
President of the Mexican Financial Reporting Standards Board
Consejo Mexicano para la Investigacion y Desarrollo
de Normas de Informacion Financiera (CINIF)