



DEPARTMENT OF  
FINANCE AND  
ADMINISTRATION

Reference: RMS02/09663-03  
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The Chairman  
International Accounting Standards Board  
30 Cannon Street  
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UNITED KINGDOM

The Chairman  
Australian Accounting Standards Board  
P0 Box 204  
Collins St West VIC 8007  
AUSTRALIA

Dear Sirs

## **Proposed Improvements to International Accounting Standards May 2002**

I refer to the International Accounting Standards Board's request for comment on the Exposure Draft of Proposed Improvements to International Accounting Standards, issued in May 2002.

Please find attached to this letter the comments of the Department of Finance and Administration, Commonwealth of Australia. We have focused our comments on those issues of greatest relevance to financial reporting by the Australian Federal Government.

To summarise our comments, we support the proposals to remove extraordinary items and to account for voluntary changes in accounting policies and correction of errors by adjusting the financial statements of prior years. We have concerns with, and do not support, the proposal to restrict entities' ability to adopt the liquidity presentation in the balance sheet.

Yours sincerely

Phillip Prior  
First Assistant Secretary, Budget Group

5 November 2002

**COMMENTS ON PROPOSED IAS IMPROVEMENTS DEPARTMENT OF FINANCE AND  
ADMINISTRATION  
COMMONWEALTH OF AUSTRALIA**

**IAS 1 Presentation of Financial Statements**

**Question 2**

Do you agree with prohibiting the presentation of items of income and expense as ‘extraordinary items’ in the income statement and the notes (see proposed paragraphs 78 and 79)?

*Comment*

Yes. Items in the operating statement should be classified on the basis of their nature or function only. Entities have the ability to draw attention to any unusual transaction or events in the notes to the financial statements.

**Other Proposed Changes**

**Restriction on Liquidity Presentation of Balance Sheet**

The proposal to change the current paragraph 53 to require entities to present assets and liabilities on a current/non-current basis unless a liquidity presentation provides more relevant and reliable information is not supported. No justification is provided for stipulating the current/non-current presentation as the benchmark treatment. In our view, the liquidity presentation provides more meaningful information to users of financial statements.

**IAS 8 Net Profit or Loss for the Period, Fundamental Errors and Chances in  
Accounting Policies (to be re-titled ‘Accounting Policies, Changes in Accounting  
Estimates and Errors’)**

**Question 1**

Do you agree that the allowed alternative treatment should be eliminated for voluntary changes in accounting policies and corrections of errors, meaning that those changes and corrections should be accounted for retrospectively as if the new accounting policy had always been in use or the error had never occurred (see paragraphs 20, 21, 32 and 33)?

*Comment*

Yes. The proposed change would ensure that current period’s results reflected current period transactions and events and promote greater comparability between the information presented for the current period and that for prior periods. It is fundamental that the operating result for every period should faithfully represent the economic reality of transactions and events in that period, based on the best available information.