UNITEC
SCHOOL OF ACCOUNTANCY
LAW AND FINANCE
www.unitec.ac.nz

15 October 2002

Email to: commentletters@iasb.org.uk

Dear Sir

Please find our submission on the Invitation to Comment on:

- International Accounting Standard 1 Presentation of Financial Statement
- International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors

Yours sincerely

Andrew Slessor
School of Accountancy, Law and Finance
UNITEC Institute of Technology

cc. Financial Accounting Standards Board – Institute of Chartered Accountants, New Zealand

UNITEC
SCHOOL OF ACCOUNTANCY
LAW AND FINANCE
www.unitec.ac.nz

Accountancy, Law and Finance, UNITEC Institute of Technology

Response to International Accounting Standard IAS 1

Presentation of Financial Statements

October 2002

Andrew Slessor, Bruce Bennett, Michael Bradbury, Laura Hopkins, William Oldfield, Helen Prangnell, Elizabeth Rainsbury, Richard Woolf

INVITATION TO COMMENT

QUESTION ONE
We agree

QUESTION TWO
We do not agree and recommend IAS1.78 be deleted. We agree that extraordinary items should not be disclosed 'below the line' but disagree with the proposal that items of income or expense may not be presented as extraordinary. We note that IAS 1.78 does not preclude items being labelled as "Abnormal", "Significant", "Non-recurring". Not being able to describe an item as "Extraordinary" is petty and unduly restrictive. There may be instances where some income or expense item has arisen from outside the entity's ordinary activities and entities should be allowed to describe them as such, together with full disclosure of the nature of the entity. We believe that a fair presentation would require this.

QUESTION THREE
We agree. The agreement to refinance, or reschedule payments on a long-term basis is a non-adjusting event occurring after balance date. Note disclosure would be appropriate.

QUESTION FOUR
We agree with (a) and (b). The agreement to refinance, or reschedule payments on a long-term basis is a non-adjusting event occurring after balance date. Note disclosure would be appropriate.

QUESTION FIVE
We disagree because paragraph 108 is unclear. Does the paragraph simply require disclosure of the policy or disclosure of policy plus justification? We are unclear how IAS1.108 differs from IAS1.110. We recommend that an Appendix provide examples of disclosures required by 1.108 and 1.110.

QUESTION SIX
We disagree in part. Our concern with the disclosure requirements is that they do not apply to significant risk associated with off-balance sheet items such as derivatives.

OTHER COMMENTS

Paragraph 72
The share capital items envisage a particular institutional setting. For example, in New Zealand we do not have authorised capital or par value – nor is there any requirement to show the components of equity. The terms may need to be amended to make the classifications "internationally" generic.

Paragraph 76
We consider that the use of additional line items should be limited, as this will create difficulties in making comparisons over time and between entities. We would also

recommend that the paragraph clarifies the order in which the items are to be disclosed. For example, profit or loss and net profit – are these calculated before or after tax, before or after minority interest and before or after the share of after tax profit of associates? We are also concerned that finance costs are not defined.

Paragraphs 5, 18, 24, 20
The early paragraphs – going concern, accrual basis of accounting, etc, fit better in a framework-type document rather that one entitled Presentation of Financial Statements.

Paragraphs 54 and 56
Current/non-current. We do not like the operating cycle idea of current. For a forestry operation everything would be current. In particular we disagree with the sentence in paragraph 56 that inventories are "current" even when they are not expected to be realised within twelve months of balance date.

Paragraphs 65 and 76
We are unclear as to the meaning of "as a minimum". Does that mean that every balance sheet has to have each of these line items, even if the amount is zero or an immaterial amount? In New Zealand, disclosure requirements are not prescribed on the "face" of the financial statements. Similarly for the income statement (paragraph 76), if there are no minority or associates, do we still need the line item?

UNITEC
SCHOOL OF ACCOUNTANCY
LAW AND FINANCE
www.unitec.ac.nz

Accountancy, Law and Finance, UNITEC Institute of Technology

Response to International Accounting Standard IAS 8

Accounting Policies, Changes in Accounting Estimates and Errors

October 2002

Bruce Bennett, Michael Bradbury, Laura Hopkins, William Oldfield, Helen Prangnell, Elizabeth Rainsbury, Andrew Slessor, Richard Woolf
(Principal authors: Andrew Slessor, Liz Rainsbury)

INVITATION TO COMMENT

QUESTION ONE
We do not agree with the proposal. We consider that retrospective application of a voluntary change in accounting policy and correction of errors should be recorded in the statement of financial performance as current revenue and expense. We consider that this is consistent with an all-inclusive and "clean surplus" concept of income.

QUESTION TWO
We **agree** with splitting the distinction between fundamental errors and material errors, but disagree with retrospective adjustment.