

24 January 2002

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

*Exposure Draft of a Preface to International Financial Reporting Standards*

Dear Board Members,

This letter contains our response to the *Exposure Draft of a Preface to International Financial Reporting Standards*. We appreciate the opportunity to respond to this Exposure Draft and support the International Accounting Standards Board (IASB) in their efforts to set out the objectives and due process of the IASB and to explain the scope and authority and timing of application of International Financial Reporting Standards (IFRS). We respond to the four questions asked by the Board and add some comments on other matters.

**1. Scope of Application of IFRS.**

We generally agree with the Board's decision to require an application of IFRS to the general purpose financial statements of all profit-oriented entities.

However, we also support the development of one set of globally accepted financial reporting standards worldwide. We appreciate that the Public Sector Committee of the International Federation of Accountants has issued a Guideline stating that IFRS are applicable to government business enterprises, and is preparing accounting standards for governments and other public sector entities based on IFRS. However, we would recommend the IASB not to limit its ability to opine on public sector accounting in the medium or longer term, especially when certain countries, such as Australia, New Zealand and United Kingdom, have changed to or are moving towards accrual accounting for governmental entities

Would the Board decide to limit the application of IFRS to profit-oriented entities, we recommend the development of a more robust definition of profit-oriented entities; paragraph 9 of the Exposure Draft states that these entities "include those engaged in commercial, industrial, financial and similar activities, whether organized in corporate or other forms"; it is not sufficiently clear whether certain entities, such as universities or

hospitals for example, are included or not in this definition.

## **2. Bold Italics vs. Plain Type Paragraph**

We agree with the Board's decision to state that Bold Italics and Plain Type paragraphs have equal authority and with the intention of the Board to discontinue the use of different type styles. However, we fear that maintaining two styles in the literature (one for the old IAS, one for future IFRS) could still create confusion, especially as the Preface will not be systematically read by preparers when applying Standards. We recommend using only one style when reprinting IAS.

## **3. Due Process**

We generally agree with the due process as proposed in the Exposure Draft. We particularly support the requirement for a clear basis for conclusion, including an explanation on how the Board dealt with public comments. However, while we agree with the publication of dissenting opinions in the Exposure drafts, we recommend addressing dissenting opinions in the basis for conclusion of approved IFRS, with an explanation of the Board's rationale for rejecting these opinions. We fear that publishing dissenting opinions without such an answer from the Board might impair the confidence in and the credibility of the Standards.

We also strongly recommend that IFRIC be required to publish a clear basis for conclusion including an explanation on how public comments were addressed.

## **4. Other matters to be included in the Preface**

We have not identified other matters to be addressed in the Preface.

## **5. Other matters**

- We support the project to reduce the number of options in the Standards. It will increase the credibility of IFRS. The Improvement Project of existing International Accounting Standards is an excellent opportunity to start reducing the number of options.

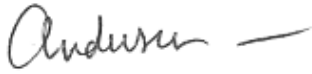
- Paragraph 21 of the Exposure Draft addresses the timing of application of Standards and Interpretations. We agree that a Standard or an Interpretation shall be applied according to the transitional provisions to be applied on initial application. However, the Board is working on a project on First-Time Application of IFRS that could have specific requirements for first-time appliers that could differ from transitional provisions that are to be applied by entities already using IFRS as the primary basis of reporting. We recommend that the Preface address this situation too.

- Paragraph 24 of the Exposure Draft addresses language issues. We agree that translations into other languages will help promote the use and understanding of IFRS on a worldwide basis, and that these translations should be prepared with a due process that ensures the quality of the translation. However, any translation may result in interpretations that would not necessarily be those of the Board. We strongly recommend a clear statement that, if any conflict appears, the official English version would prevail. We also strongly recommend that the Preface state that the Board and the IFRIC will commit themselves to use plain English in Standards and Interpretations and will take

appropriate measures to ensure that this is achieved, such as by consulting with a recognized plain English committee.

If you have any questions concerning our comments, please contact Jeannot Blanchet at 33.1.55.61.08.58, Alain Gouverneyre at 33.1.55.02.22, or Pauline Wallace at 44.207.438.3576.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Andersen", followed by a horizontal line.

Andersen