

18 February 2002

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Sirs

**Draft Preface to IFRS and Invitation to Comment**

Thank you for the opportunity to comment on the International Accounting Standards Board's (IASB) draft Preface.

The Financial Reporting Standards Board (FRSB) supports the IASB's effort in revising the Preface to the International Financial Reporting Standards (IFRS). Our response to the specific questions and other comments follow below.

**Scope and Authority**

***Question 1 – Is the Board's proposed scope clearly defined?***

The IASB proposes in paragraph 9 of the draft to limit the scope of IFRS to the general purpose financial statements and other financial reporting of profit-oriented entities and notes that the Public Sector Committee (PSC) is preparing accounting standards for governments and other public sector entities, based on IFRS. We accept that the IASB's immediate focus must be on profit oriented entities. However, we hold the view that there should be a single set of financial reporting standards for all classes of entities and therefore we encourage the IASB to adopt, as a longer term goal, the development of IFRS that would apply to all classes of entities. That goal is consistent with the objective for the IASB stated in paragraph 6(a) of the draft. In the meantime, the current division of standards coverage between the IASB and the PSC leaves out not for profit entities in the private sector. Given the economic significance of this class of entities we urge the IASB to adopt, as a short term goal, the broadening of the scope of IFRS to include these entities.

Consistent with our view that there should be a single set of financial reporting standards for all classes of entities, the standards issued in New Zealand have for a number of years now been sector-neutral. We have also recently adopted a policy of using international financial reporting standards as exposure drafts of New Zealand standards. Therefore, if IFRS were at least sector-neutral in the language used, adoption in New Zealand would become considerably easier. Examples of this issue appear in paragraph 11 of the draft where the terms ‘balance sheet’, and ‘income statement’ are used – the sector neutral terms are ‘statement of financial position’ and ‘statement of financial performance’ respectively.

***Question 2 – Different type styles***

***Do you agree with these proposals (to discontinue the use of different type styles)? Why or why not?***

The implicit issue of principle in this question is that there should be no difference in status or authority between the different type styles. We agree with this principle. The issue of whether different type styles are used is secondary, provided that its use does not imply that one type style is more authoritative than another is. The important point is that a standard in its entirety is considered authoritative.

We have a preference for the IFRS to clearly identify the principles separately from the commentary explaining or expanding on each principle. The use of different type styles to identify the principle from the commentary has significant benefits for both users of the IFRS and standard setters. The principles are clearly identified and the relevant commentary or explanation follows each principle.

***Question 3 – Due Process***

***Are the Board’s proposals appropriate? Are any proposed steps unnecessary? Are there additional steps that should be incorporated?***

We regard the IASB’s due process as being appropriate.

***Question 4 – General***

***Are there any other matters that should be addressed in the Preface to IFRS?***

No.

Yours sincerely

Tony van Zijl  
Chair – Financial Reporting Standards Board