

11 December 2007

The Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
ENGLAND

Dear Sir,

ANNUAL IMPROVEMENTS TO IFRS – EXPOSURE DRAFT OCTOBER 2007

ACAG welcomes the opportunity to comment on the proposed improvements to International Accounting Standards. There is one issue that causes us concern.

Question 4

Do you agree with the proposal to require an entity that cannot make an unreserved statement of compliance with IFRSs to describe how its financial statements would have been different if prepared in full compliance with IFRS? If not, why not?

We disagree with this proposal. There are unintended consequences and we think the costs of implementing such a proposal outweigh the benefits.

Where the applicable financial reporting framework is IFRS, and an entity has not complied, an explanation of the impact of non-compliance is certainly appropriate. However, in Australia and other countries where the framework is a local equivalent to IFRS, problems arise. An entity that applies its applicable framework would be required to disclose the impact of non-compliance with another framework. This is hardly relevant information, and, as such, the cost of preparation of the information would outweigh the benefits.

Sector neutral standards based upon IFRS include modifications to IFRS to cater for the information needs of public sector and not-for-profit entities. Under the proposals, these entities would be forced to make disclosures about information that the local regulators have already identified as unnecessary or inappropriate.

Such disclosures would impose a cost upon preparers with no additional benefits. In fact, these disclosures would likely confuse users.

We do not agree with the view in BC 2 that users might expect there to be a close relationship between financial statements based on IFRS and those in compliance with IFRS. We think that most users will not have this expectation.

The proposal should be restricted to those entities whose applicable financial reporting framework is IFRS. Alternatively, the proposal should be amended to address the situation

when an entity cannot make an unreserved statement of compliance with the applicable financial reporting framework. Under these circumstances, an entity would disclose how its financial statements would have differed had the entity complied with its applicable financial reporting framework.

The views expressed in this submission represent those of all Australian members of ACAG.

Yours sincerely

A handwritten signature in black ink, appearing to read 'F. McGuinness', written in a cursive style.

Frank McGuinness

Chairman

ACAG Financial Reporting and Auditing Committee