

8 February 2002

Sir David Tweedie
Chairman IASB
80 Cannon Street
London EC4M 6XH
UK

Dear David

Re: **Proposed Preface to IFRS**

On behalf of the European Financial Reporting Advisory Group (EFRAG) I am writing to respond to IASB's invitation to comment on the Proposed Preface to IFRS.

1. Scope and Authority

- (i) We agree that IFRS should be designed to apply to the general purpose financial statements of profit-oriented entities as defined. We also believe that mutual insurance entities and similar organisations should be regarded as included but note that, as defined, certain major mutuals may consider themselves excluded because they do not provide dividends or other economic benefits directly and proportionately to their owners, members or participants. Typically they may provide economic benefits in the form of enhanced returns on savings products or lower costs on insurance products.
- (ii) Para.14 refers to standards issued by IASC, as including paragraphs in bold type (the main principles) and plain type (explaining the principles or their application to particular situations), which have equal authority. We agree that they should be treated as having equal authority but it may be helpful to state that explicitly in the heading to each IASC standard because the present wording is ambiguous and can be taken to mean that only the bold paragraphs have the authority of a standard.
- (iii) Generally we believe that the system of showing principles in bold type and all other material in plain type works well. We would favour the continued use of such a structure in the future – i.e. principles set out in bold type and all the other material in plain type. This would also have the advantage of providing consistency of approach between IASC standards, IFRS and those IASC standards that will in the course of time have become modified to such an extent that they can only be described as hybrid.

2. Due Process

- (iv) We believe that Para.19 should specify a minimum comment period (in other than exceptional circumstances) of 3 months for exposure drafts of both IFRSs and IFRICs. To enable informed comment to be given by respondents from all parts of the world sufficient time must be given to allow for translation and full discussion. Three months would therefore be a reasonable minimum period to allow for that. Moreover, the process used by respondents to prepare comment on exposure drafts of IFRICs is no different from that used for exposure drafts of IFRSs so that the same minimum comment period should apply to both.
- (v) We believe also that a minimum period should be specified in the Preface between publication date and application date of a standard or IFRIC. In this context we are concerned that six SICs were published in the last week of December 2001 a number of which had to be applied to year 2001 financial statements.
- (vi) Other than that we support the due process as described.

3. Other matters

Paragraph 6 sets out the objectives of the IASB and para.7 describes the methodology used to attain those objectives. As such we believe that in para.6(c) the first 6 words ("to work actively with national standard setters") should be deleted because "the objective is to bring about convergence...". The objectives of IASB are set out in the Constitution and it would be better to conform the wording.

Para. 7 describes the methodology for achieving convergence and quite properly refers to working with national standard setters. We believe, however, that in referring only to working with national standard setters the final sentence is too narrowly drawn. We suggest the addition of "and others".

We would be happy to discuss further any points raised in this letter should you so wish.

Yours sincerely

Johan van Helleman
Chairman, Technical Expert Group, EFRAG