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The Secretary
International Accounting Standards Board
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12 February 2002

Dear Sir or Madam

Preface to International Financial Reporting Standards (IFRS)

The Institute of Chartered Accountants of Scotland Public Sector Committee has the following concerns regarding the development of the Preface to IFRS.

We are concerned that the IASB will forge ahead without taking the public and not-for-profit sectors into consideration and these sectors will diverge instead of converging. We believe that the objectives of the IASB should encompass the public and not-for-profit sectors. Once a Framework/Statement of Principles for the recognition and measurement of transactions is established then more detailed standards and Statements of Recommended Practice could be developed to meet the needs of the various sectors and industries. We believe that the **ideal** way forward would be for the IFAC Public Sector Committee (PSC) and the IASB to work together at this development stage on a Preface and then a Framework/Statement of Principles which would cover all sectors. Less would have to be re-written in the future. In the past the UK Accounting Standards Board, when it did not have the resources to cover research into public and not-for-profit sectors as well as private sector issues, was in a similar position to the IASB. Now the ASB has determined to support a project on a Statement of Principles for the public and not-for-profit sectors which will be considered by IFAC PSC.

We are also concerned that if, when a Framework/Statement of Principles is being developed, it does not take into account the public and not-for profit sectors, it could be developed at too detailed a level that would exclude the public and not-for profit sectors. The fundamental principles about measurement and recognition of transactions should not differ between sectors therefore all accounting standards should be based on the same Framework/Statement of Principles.

The IASB is aware of the developments in the public and not-for-profit sectors and the Preface acknowledges that "although IFRS are not designed to apply to not-for-profit activities in the private sector, public sector or government, entities with such activities may find them appropriate." It also notes that IFAC PSC is preparing accounting standards for governments and other public sector entities.



The Mark of Quality

We do realise that it may not be practical in the short term to consider all circumstances affecting financial statements but not to take cognisance of the public and not-for-profit sectors now could lead to difficulties in the future which could be avoided.

In paragraph 7 the Preface states "in developing IFRS, the IASB works with national standard setters to maximise the convergence of IFRS and national standards." The IASB may have acknowledged the work of IFAC PSC but there is a need for the development of public sector accounting standards to be applied internationally taking account of the interrelationship of IFRS with national legislation. In seeking to maximise convergence the IASB should be developing its Framework/Statement of Principles with all sectors in mind and should explicitly state that the IASB will work with IFAC PSC as well.

Yours faithfully

A handwritten signature in cursive script, reading "Lynne Ramsay".

LYNNE RAMSAY
Assistant Director, Accounting & Auditing
Secretary, Public Sector Committee