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International Accounting Standards Board
30 Cannon Street,
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Submitted electronically to www.iasb.org

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Dear Sir or Madam

Exposure Draft of Proposed Improvements to International Financial Reporting Standards

CIPFA is pleased to present its comments on the above exposure draft, which has been considered by CIPFA's Accounting and Auditing Standards Panel.

While CIPFA has specific expertise and interests in matters relating to the public sector and wider public benefit sector, most of the comments below reflect more general financial reporting considerations.

General comment on 'minor improvements'

The Board will already be aware that concerns have been expressed by several commentators in connection with the nature of 'minor' amendments in connection with:

- straightforward amendments, the effect of which could be significant; and
- amendments which are not unanimously approved by the IASB.

CIPFA agrees with the suggestion that, even where amendment proposals are straightforward and universally agreed, if the effect of the amendment is potentially significant, this should be highlighted. We also have some sympathy with the suggestion that proposals framed as 'minor improvements' should be approved unanimously by the Board.

Responses to questions in the Invitation to Comment

We have not commented on all questions.

CIPFA agrees with and has no specific comments to make on the following IASB proposals: Proposals 1-3, 7-11, 13, 15-21, 23-26, 31-41. In each case we agree with the issue identified by the IASB, and consider that the proposal in the ED results in improved guidance.

More detailed comments on other questions are set out below:

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 IFRSs? If not, why?

We agree with the principle of this proposal, but not with the detail. We do not consider that this approach is the most appropriate way to prevent misleading suggestions that financial statements are prepared under full IFRS, or implications that the results and financial position are essentially equivalent to those that would be obtained under IFRS. In our view, it would be better if IAS 1 allowed for a more general description of the fact of difference from IFRS and the potential effects.

We see particular issues arising in connection with financial statements prepared in the UK government sector, using IFRS interpreted or adapted for the public sector. Because IFRS are developed primarily for reporting on for-profit entities, many individual standards require interpretation or adaptation. The proposed IAS 1 disclosures would in this case seem to be quite disproportionate to the risk that readers might be misled.

The proposal might work effectively for financial statements prepared under financial reporting frameworks which are 'very nearly full IFRS'. However, we can envisage circumstances where a jurisdiction was staging the implementation of IFRS, or using an 'adoption' process which might be subject to sigificant delay in the event of a large number of IASB standards amendments, so that a large number of differences might arise. Under these circumstances the requirement for detailed disclosure seems disproportionate.

We are concerned that if the IASB implements the proposal in the ED, this may encourage the removal of 'IFRS' references from the description of the reporting framework, or may encourage the disapplication of this element of IAS 1 within that framework. In our view, both of these would be likely to delay moves toward full adoption of IFRS, and might have the effect of encouraging permanently divergent local variants.

Question 12 Do you agree with the proposal that contingent rent relating to an operating lease should be recognised as incurred? If not, why?

We agree with the substance of this proposal. However, in our view there is scope for misunderstanding the reference to contingent rent being recognised, when the proposal is that rent should be recognised when it is incurred and expected, and either no longer contingent or contingent on events which are confidently expected to occur. A clearer formulation would be as follows:

"Contingent rent will not be recognised. Rent will be taken as an expense as it is incurred."

Questions 28 and 29 relating to IAS 38 'Intangible Assets'

While the proposed clarifying amendments seem sensible, they are addressing issues arising from variations in practice. The Exposure Draft does not provide an analysis of the effect of these amendments, or the arguments for other approaches. We are not in a position to conclude whether this is a minor amendment or one which should be pursued through a separate exposure draft.

Question 30 Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

It is not clear that this is a minor amendment. The Board suggests that the amendment has no effect on the substance of the standard because there is an equivalent exclusion in the scope of the standard. However, it is not clear to us that the scope exclusion of IFRS 4 insurance contracts exactly corresponds to the exclusion in the definition of derivative relating to contracts linked to non-financial variables that are specific to a party to the contract.

We suggest that it would be helpful if the Board could provide further analysis of the effect of this amendment proposal.

I hope these comments are a helpful contribution to the finalisation of the standard amendments.

Yours faithfully

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