

ACCOUNTING STANDARDS REVIEW BOARD

SUBMISSION BY THE NEW ZEALAND ACCOUNTING STANDARDS REVIEW BOARD ON THE EXPOSURE DRAFT OF A PROPOSED PREFACE TO INTERNATION FINANCIAL REPORTING STANDARDS

1. The Accounting Standards Review Board (ASRB) is of the view that participants in the world's capital markets are best serviced by consistent financial information from all issuers – whether of debt or equity instruments. This implies a single set of high quality, understandable and enforceable global accounting standards, a view consistent with the Objectives of the IASB in Paragraph 6 (a) of the Preface.
2. The ASRB believes that, given the amount of government debt traded on national and international capital markets, there is no reason for excluding financial instruments of this type from the general assertion contained in Paragraph 6(a). We also consider that for other reasons, associated with the financial accountability of governments, there is an equally strong case for high quality financial reporting by governments. We would therefore prefer to see the IASB development International Financial Reporting Standards that have application to all issuers, including governments and non-profit entities.
3. While we recognise that the agenda for the Board is for the present driven primarily by the needs of capital markets in respect of cross-border listings, we are of the view that in addressing the items on its agenda the Board could begin to consider explicitly the implications of the standards for government and non-profit entities.
4. As you are aware, the ASRB has a legal obligation to approve standards for application to both public and private sectors. The Australian Accounting Standards Board is in a similar position. For New Zealand, the easy adoption of IFRS's is impeded by their failure to consider, or use appropriate language to express, the requirements that relate to the public sector.
5. We would therefore urge that the Board give greater attention to the financial statements of issuers other than corporates, and reflect this position in its Preface. It might do this by amending paragraph 9 as follows :

IFRS are designed to apply to the general purpose financial statements and other financial reporting by all entities whose financial instruments are traded on the world's capital markets. These entities include profit-oriented entities engaged in commercial, industrial, financial and similar activities, whether organized in corporate or other forms. They include organisations such as mutual insurance companies and other mutual co-operative entities that provide dividends or other economic benefits directly and proportionately to their owners, members or participants. Although IFRS are primarily designed to apply to profit-oriented entities in the private sector, public sector or government entities may also find them appropriate. The Public Sector Committee of the International Federation of Accountants (PSC) has issued a Guideline stating that IFRS are applicable to government business enterprises. The PSC is preparing accounting standards for governments and other public sector entities, other than government business enterprises, based on IFRS.

6. To address the questions raised :

- Q.1. Yes – the scope is clear but see above re appropriateness.
- Q.2. The ASRB would support the retention of the black and grey letter format. It believes that it is helpful to distinguish the main principles and the explanations or elaborations thereof.
- Q.3. Yes.
- Q.4. The ASRB considers there are no other matters to be addressed.

Yours faithfully



John C. Hagen
Chairman