

26 February 2002

International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM
E-mail: CommentLetters@iasb.org.uk

Dear Sir

Exposure Draft: Preface to International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is pleased to comment on the above Exposure Draft. As part of its process the AASB posted the Exposure Draft on its web site and invited comments from constituents. Comments received were considered by the AASB in its review of the Exposure Draft.

Question 1

The Board states in paragraph 9 of the proposed Preface that IFRS are designed to apply to the general purpose financial statements of all profit-oriented entities, as defined. The Board also says 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 notes that the Public Sector Committee of the International Federation of Accountants (PSC) is preparing accounting standards for governments and other public sector entities, other than government business enterprises, based on IFRS.

Is the Board's proposed scope clearly defined and appropriate?

The AASB considers that it is desirable for a single body to be responsible for developing accounting standards for the private and public sectors. However, this is not seen as being feasible in the short-term.

The AASB believes that in the interim it is important that the IASB and the IFAC-PSC co-operate closely in further developing and amending statements of concepts.

Question 2

The Standards issued by the IASC include paragraphs in bold italic type and paragraphs in plain type. The Board is concerned that some constituents may have interpreted the bold italic paragraphs as having more authority, although IASC commentary has suggested

otherwise. Paragraph 14 of this proposed Preface states that paragraphs in bold italic type and plain type have equal authority and sets out the Board's intention to discontinue the use of different type styles. The Board intends to provide, in IFRS, robust and useful guidance to illustrate the basic principles in each Standard, including a detailed Basis for Conclusions.

Do you agree with these proposals? Why or why not?

The AASB considers that the content of standards should have equal status and believes that it is not necessary to have a single style to achieve this. The AASB believes that presentation of both bold type and plain type is helpful to users of the accounting standards and should be retained, with the bold type highlighting the key principles in each Standard.

Question 3

In paragraphs 19 and 20 of this proposed Preface, the Board sets out the due process normally expected to be followed in issuing Standards and Interpretations.

Are the Board's proposals appropriate? Are any proposed steps unnecessary? Are there additional steps that should be incorporated?

The AASB considers that the due process proposed by the IASB is appropriate.

Question 4

Are there any other matters that should be addressed in the Preface to IFRS?

The AASB strongly opposes making a reference to a 'true and fair override' in the Preface. Based on Australian experience with a true and fair override under a previous legislative regime, the AASB's view reflects its concern that the existence of such an override provides the opportunity for entities not to comply with accounting standards because the preparers concerned do not agree with the required treatment.

Yours sincerely

Keith Alfredson
Chairman