

Japan Federation of Economic Organizations

Comments on Exposure Draft of a Proposed PREFACE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

February 15, 2002

Japan Federation of Economic Organizations (hereinafter as “Keidanren”, the Japanese abbreviation of the organization) is a nationwide business association that represents Japanese business community as a whole. Its membership includes about 1,000 of Japan's leading corporations, as well as industry-wide business organizations representing such major sectors as manufacturing, trade, distribution, finance, energy and more. The purpose of Keidanren is to work for a resolution of the major problems facing the business community in Japan and abroad, and to contribute to sound development of the Japanese and world economies.

We welcome efforts of IASB that develops highly qualified accounting standards to be accepted internationally, and we are happy to give cooperation to the IASB activities through the Trustees, the SAC, etc. We also would like to express sincere respect to the active examination by IASB started since last April, however we have to point out the lack of proper considerations toward the opinions of the users or the preparers of a financial statement in the IASB activities.

Therefore, we would like to comment on the draft of “IFRS Preface” currently being asked for the public comment.

1. Regarding “Due process” in Question 3, it is described in the paragraph 19 of “IFRS Preface” that “IFRS are developed through an international due process that involves accountants, financial analysts and other users of financial statements, the business community, stock exchanges, regulatory and legal authorities, academics and other interested individuals and organizations from around the world”. In the above sentence, the positions of preparers and auditors are not properly specified.

IASB should fully take into consideration the opinions of preparers, users, auditors, and regulators from the first stage of a discussion paper or an exposure draft.

Therefore, the due process should be specified and included in the paragraph 19, subsection (a), and (b).

Especially, the latest subject such as insurance or financial instrument should be

discussed not only from the accounting theory point of view, but also from the practical or enforceable point of view.

As constitution states that one of the objectives is to develop a high quality, understandable and enforceable accounting standards, the following sentence should be added to the paragraph 19, saying, "(j) new standard should be applied after the verification of the influence on a financial statement, feasibility, and understandability for the users".

Adding to the above, the influence of a new standard on a financial statement must be reviewed from the viewpoint of continuity. In order to secure the reliability of a standard, the stability of the IFRS should also be clearly stated in paragraph 6, "The Objectives of the IASB".

2. The comments given at the public hearings or on exposure drafts should be carefully examined and the correspondence by IASB should be disclosed.

Therefore, these procedure should be specified in the paragraph 19 (g), (h), and 20 (e).

3. In order to keep due process be carried out appropriately and to diffuse IFRS worldwide, consideration of languages is indispensable. At least, the discussion papers and exposure drafts should be released in the native languages of liaison countries.

Moreover, the same consideration of the languages should be paid at the meeting of the SAC etc. The consideration of languages other than English should also be specified in the paragraph 19.

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