

12 February 2001

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
LONDON EC4M6XH

Dear Sir David

**EXPOSURE DRAFT – PREFACE TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS**

Thank you for the opportunity you have provided to respond to the IASB Exposure Draft 'Preface to International Financial Reporting Standards (IFRS)'.

The New Zealand Treasury is particularly interested in the issues referred to in paragraph 9 of the proposed Preface and on which you sought comment in Question 1.

As you are aware, in the New Zealand environment, accounting standards are drafted to have applicability to all sectors; be they public sector, private sector or voluntary sector.

There are significant advantages from a unified regime:

- With a single underlying conceptual framework work possible for each sector, (for example, the qualitative characteristics of financial information, the definition of the elements and the measurement are able to be transferred across sectors), there is enhanced understanding of the financial information produced by each sector by auditors, preparers and users, even if these constituents may predominantly work in one sector.
- Many accounting issues are more predominant in one sector, but will exist in the other sector. The quality of standards is improved when standard setters consider and cross-fertilise these issues in the development of standards. For example, the NZ accounting standard on Property Plant and Equipment is the better for the standard setter having expressly considered infrastructure assets – although this might at first sight be considered a public sector issue, many private sector companies hold such assets.
- Accounting standard setting is a complex process and there are limited resources to apply to it. It is sensible therefore to pool this resource.

While we appreciate that your mandate and the current stage in the development preclude you from stating much more than you have in your preface, we would urge the IASB to work closely with the IFAC PSC on its developments with a view towards a future unification of the two bodies. An indication of such an intent would be valuable and reassuring.

The Treasury is comfortable with the proposal of the IASB to discontinue the use of different type styles in IFRS although we do have a strong preference for the standards to clearly identify principles separately from the commentary explaining or expanding on each principle. Such separation makes it much easier to navigate the standards.

The Treasury is also comfortable with the due process the Board proposes to follow.

Thank you for the opportunity to provide comment on these issues.

Yours sincerely

Ken Warren
Chief Accounting Advisor
For Secretary to the Treasury