



**International Federation of Accountants**

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January 9, 2008

Sir David Tweedie  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear David

**EXPOSURE DRAFT OF PROPOSED IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – PROPOSED AMENDMENT TO INTERNATIONAL ACCOUNTING STANDARD 1, “PRESENTATION OF FINANCIAL STATEMENTS” – COMPLIANCE WITH IFRSs**

As noted in your exposure draft, the International Auditing and Assurance Standards Board (IAASB) has issued an exposure draft of proposed International Standard on Auditing (ISA) 700 (Redrafted), “The Independent Auditor’s Report on General Purpose Financial Statements,” which requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. Proposed new guidance addresses the auditor’s evaluation of this description and the effect that it may have on the auditor’s opinion. The proposed guidance is closely linked to the proposed amendment to IAS 1.

The comment date of the IAASB exposure draft was November 30, 2007. However, I know that a number of potential respondents wished to consider both our exposure draft and yours together, and we expect that they may have further comments following on from any responses they may make to your exposure draft. Our analysis of the comments received to date is therefore likely to be incomplete. I hope that by the end of the month we shall have received any supplementary comments that respondents wish to make and that we shall have made an initial staff analysis of them. If it seems helpful to do so, our staff will provide yours with this initial analysis for your information in case it should be relevant to your own deliberations.

While writing, I might just pass on one matter that was clear from discussions of the proposed guidance at IAASB and IAASB Consultative Advisory Group meetings, and noted by some respondents to the IAASB exposure draft. This is the need to clarify the meaning of paragraph 16A(b) of the proposed amendment to IAS 1. I am sure that this will have come out of your own responses, but since this is a matter that we can do nothing about, it seems best to relay to you the concerns that we have received.

The third paragraph of the Basis for Conclusions on page 60 of the IASB exposure draft explains the IASB’s intention that the entity should describe (but need not quantify) the effect, on the statement of financial performance and statement of financial position, of the difference between complying with the accounting required by IFRSs and the accounting treatments applied by the

entity. Many have suggested, however, that a plain reading of paragraph 16A(b) does not automatically lead one to such an interpretation. Indeed, during our discussions, there were also some who questioned whether an entity would be able to comply with paragraph 16A(b) *without* quantifying the effect of the difference.

In the interest of preparers, auditors and users of the financial statements, it was recommended during our discussions and exposure process that the IASB redraft paragraph 16A(b) of the proposed amendment to IAS 1 to reflect the IASB's intention.

We shall continue to keep you or your staff informed as the IAASB finalizes ISA 700 (Redrafted). The final approval of the standard is expected to be at our meeting in June 2008. Please do not hesitate to contact me should you wish to discuss any of the above, particularly if our timetable seems likely to cause you concern.

Kind regards

A handwritten signature in blue ink, appearing to read 'John', is positioned above the typed name.

John Kellas  
Chairman, IAASB  
([johnkellas@ifac.org](mailto:johnkellas@ifac.org))