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6 February 2002

**To: International Accounting Standards Board**

**Comment Letters – Draft PREFACE to IFRS**

Dear Sir,

**1. General: IASB's Name**

With the change in the name of the standard, it may be necessary to also change the name of the Board. An 'International Accounting Standards' Board issuing 'International Financial Reporting Standards' is inconsistent – at least as far as the terminology is concerned. It may cause some confusion, though, particularly for non-accountants.

**Recommendation:**

**The Board may consider changing its name to 'International Financial Reporting Standards Board' (IFRSB).**

**2. Question 1 - Scope**

Not-for-profit organisations may be sizable. Currently, there is no reporting standard specifically relating to non-profit organisations.

**Recommendation:**

**Similar to the application of IAS 34: Interim Financial Reporting, a standard should be considered for non-profit organisation's financial statements.**

IAS 34 'modifies' the requirements of other standards so that condensed financial statements are allowed for interim periods. A reporting standard for non-profit organisations could do the same. While being consistent with other standards, it could suggest modifications to the terminology and certain additional details to ensure that there is consistency in non-profit organisations' financial statements. There are many non-profit organisations, which are not public entities.

There will not be a need to restrict the scope of IFRS if this is done. Although there are differences between non-profit and profit-oriented organisations, there are many similarities. Many of the underlying recognition and measurement principles are the same for both these types of organisations.

The scope does not state whether IFRS apply to smaller business entities or are appropriate to them.

**Recommendation:**

**The preface should make some reference to the application of IFRS to smaller entities.**

**3. Question 2 – Bold vs Plain type**

**Recommendation:**

**A distinction should be made between the bold and plain type. The nature of this distinction should be made clear in the preface.**

A distinction between the bold and plain type is useful to the reader. The bold type should state what is mandatory. The plain type, while being an explanation, is an interpretation. Frequently, the plain type in the IASC standards contain specific examples. These examples, cannot be considered a part of the standard, it should be distinguished as an application of the principle in respect of specific situations. The specificity of the situations make these explanations inappropriate as general principles. The distinction will also speed up approval of the IFRS by making the IFRS more focussed and enable members to vote on the principles, with more flexibility allowed on the plain type.

**4. Question 3 – Due Process (paragraphs 19 and 20)**

**Recommendations:**

**Paragraph 19(h)- The Board should consider webcasting hearings so that the Internet community can participate.**

**Paragraph 19(i) – The Board should give a clear explanation as to why it rejected the dissenting opinions.**

**5. Question 4 – Other Matters**

**a. Paragraph 24 – Translations**

**Recommendation:**

**The Board should make it a precondition that only translations approved by the country's regulatory body, which issues financial reporting standards in that country, are approved by the IASB. This should be stated in the preface as a precondition to IASB's approval.**

This is to prevent multiple submissions in the same language, ambiguity in enforcement and accountability by the body submitting the translation. For example, a Chinese translation may be applicable in China but it may be inappropriate in Taiwan or Singapore where different terminologies and nuances exist even for the same language. If there is more than one Chinese translation can I say I am complying with the Chinese version of the Chinese standard or the Taiwanese version of the Chinese standard, or the American version of the Chinese standard?

## **b. Paragraph 21**

### **Recommendation:**

The Board should clarify whether an ‘early application of an IFRS’ (required to be disclosed under IAS 1) requires a comparison between the:

- i. Date of authorisation of issue of the financial statements compared to the effective date of the IFRS; or
- ii. Date of the financial period of the financial statements compared to the effective period to which the IFRS applies.

## **c. Paragraph 16 – Statement of Compliance**

### **Recommendation:**

Revise wording to:

‘... Financial statements should not be described as complying with the International Financial Reporting Standards, *without qualifications in respect of true and fair overrides*, unless they comply with all the requirements of each applicable Standard and each applicable Interpretation of the Financial Reporting Standard.’

This is consistent with IAS 1, paragraph 13(b), which effectively allows an ‘except for’ type of qualification within the Statement of compliance.

**d. Paragraph 6(a) –**

**Recommendation:**

Revise wording to:

‘... global *financial reporting* standards ...’

Replace references to ‘accounting’ with ‘financial reporting’ where appropriate.

**e. Meaning of ‘Financial Reporting’**

**Recommendation:**

**Define precisely in the preface what ‘financial reporting’ encompasses, for example:**

- i. Recognition issues;
- ii. Measurement issues;
- iii. Disclosure issues; and
- iv. Presentation issues.

**IAS 8’s title may need to be amended to ‘... Change in Financial Reporting Policies’**

Any change involving any of the above issues should then unambiguously qualify as a change in ‘financial reporting policy’.

**f. Conceptual Framework**

**Recommendation:**

**There should be a reference in the Preface as to the relationship between the IFRS and the IASB’s ‘Framework for the Preparation and Presentation of Financial Statements’; and its influence on IASB’s ‘due process’. Its degree of authority with respect to IFRS should also be clarified.**

Yours sincerely,



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Managing Consultant