

27 March 2002

International Accounting Standards Board
30 Canon Street
London
EC4M 6XH
United Kingdom

Dear Sirs

**Exposure Draft of a Proposed Preface to
International Financial Reporting Standards**

The Malaysian Accounting Standards Board (MASB) is pleased to provide comments on the IASB's Exposure Draft of a Proposed Preface to IFRS.

The MASB is generally supportive of the proposed Preface, except for a few matters that would require closer examination before the 'final document is issued. These are outlined below.

Scope and Authority

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 government and other public sector entities, other than government business enterprises, based on IFRS.

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

Overall, we view that the proposed scope has sufficiently defined its objectives and take note that the IFRS are designed to apply to the general purpose financial statements of all profit-oriented entities.

The MASB also understands that the PSC is preparing accounting standards for governments and other public sector entities. However, neither the PSC nor IASB is



looking into the accounting for non-government non-profit entities. We are of the view that it is important to fill this gap (see table below) as comparable information in financial statements of non-profit private entities is equally relevant,

	Government and Other Public Sector Entities	Private Entities
Profit Oriented	PSC issued Guideline stating that IFRS are applicable to government business enterprise	IASB issues IFRS that are designed to apply to general purpose financial statements of all profit oriented entities
Non-Profit Oriented	PSC is preparing accounting standards based on IFRS	?

We would like to suggest that the IASB should consider how it could contribute, or at least initiate, to address accounting standards for non-government non-profit entities and may want to mention this in the Preface as well.

Type style

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 MASB strongly recommends that the IASB retains its current style of having paragraphs in both bold italic and plain type in the Standard.



The current style of Standard has worked well in the past and has the following advantages:

- (a) it is an excellent form to clearly distinguish the main principles and set out guidelines/application of the standards;
- (b) it makes the standard easier to read and understand.

In Malaysia, accounting standards issued by the MASB has the force of law and hence, it is important that the main principles of the Standard are made prominent. The current style of the Standard has served this purpose well.

Another issue is whether example or illustration given in the standards would have the same authority as those intended to be principles of the Standards.

For these reasons, we believe that IASB should continue with its current format of presentation.

Due Process

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 MASB fully supports the overall approach of the due process as outlined in the Exposure Draft. However, we would like to provide a few specific comments on the following proposed steps.

- (i) Paragraph 19(a) and 20(a)
We suggest that identification and review of issues to include external sources such as submission by interested third party, rather than limiting to the IASB staff only.
- (ii) Paragraph 19(d)
To be more focused and objective, we believe that reasonable time frame should be provided. As such, we recommend a minimum period of 2 months for consultation with advisory group.



(iii) Paragraph 19(e) and 20(c)

We suggest that reasonable time frame of at least 3 months to be provided for exposure period. Additionally, to meet IASB objectives of developing an understandable and enforceable global accounting standards, we feel that views from worldwide users and preparers of financial statements is important. With this in mind, we suggest that exposure drafts/draft interpretations be given to national standards setters 2 weeks before its issuance so as to enable the national standards setters such as MASB, to have time to arrange the necessary to have these documents distributed to its local constituents.

(iv) Paragraph 19(f)

We propose that explanations be given on dissenting opinions that are rejected by the IASB. This approach, we trust, will enhance the credibility of the Standard and also enhance the understanding and appreciation of the principles advocated in the exposure drafts.

General

Question 4

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

True and fair view: Although the application of the IFRS results in virtually all circumstances in financial statements to achieve a fair presentation, there is a possibility that in the rare circumstances when management concludes departure from the IFRS is necessary to achieve a fair presentation. Therefore, we would suggest that the Preface should discuss the importance of the “true and fair view” concept.

We hope the above comments are considered during IASB's deliberation and if you require clarification on any of the issues raised, please do not hesitate to contact the undersigned.

Thank you.

Yours sincerely.


Dr Nordin Mohd Zain
Technical Director

MALAYSIAN ACCOUNTING STANDARDS BOARD