

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 425 882 8080
Fax 425 936 7329
<http://www.microsoft.com/>



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

Dear Board Members:

Microsoft appreciates the opportunity to respond to the IASB's Exposure Draft, "Preface to International Financial Reporting Standards". In general, we agree with the ED, but do have some concerns.

We are confused by what is meant by the reference to "other financial reporting" in the ED. For instance, paragraph 6(a) indicates that one of the objectives of the IASB is:

. . . to develop, in the public interest, a single set of high quality, understandable and enforceable *global accounting standards that require* high quality, transparent and comparable information in financial statements **and other financial reporting** to help participants in the various capital markets of the world and other users of the information to make economic decision. [Emphasis added.]

Further, the description in paragraph 7 of the ED that, "Other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions", is not useful and is way too broad. For instance, we trust the IASB does not envision itself as the standard setter for the financial statistics a company may post on its Web site. Microsoft suggests that until the IASB can provide a more crisp, less broad description of what is meant by the phrase "other financial reporting", it should stick to wording similar to that in paragraph 8 of the ED, which indicates that, "IFRS set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important **in general purpose financial statements.**" [Emphasis added.]

Comments on the specific issues raised in the Exposure Draft are attached. If you have any questions, please contact me at (425) 703-6094.

Sincerely,

Bob Laux
Director, External Reporting

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

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

Response: Yes. With the numerous financial reporting issues facing profit-oriented entities and the limited resources of the IASB, Microsoft believes it is wise to limit the scope and applicability of IFRS.

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?

Response: Yes. Furthermore, we can not over emphasize the importance of a well written and detailed Basis for Conclusions. Constituents' perceptions of how the Board has dealt with public comments on an ED will be critical to the IASB's ongoing success.

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?

Response: Microsoft suggests that the Board make specific reference to the possibility of holding public roundtable meetings in paragraph 19(h) of the proposed Preface. We have found the FASB's use of public roundtable meetings to be quite effective when compared to the standard public hearing format.

General

Question 4.

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

Response: We found the wording in paragraph 22 of the ED, explaining that the IASB has no general policy of exempting transactions occurring before a specific date from the requirements of new financial reporting standards, to be somewhat harsh. We agree that financial reporting requirements evolve and change over time, but also believe that the IASB should, at the least, acknowledge that this issue will be taken into account when determine the timing of application of any particular Standard or Interpretation.