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Ms Li Li Lian  
Assistant Project Manager  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

By email to: [commentletters@iasb.org](mailto:commentletters@iasb.org)

Dear Ms Lian

**IASB/FASB Discussion Paper - "Preliminary Views on an Improved Conceptual Framework for Financial Reporting"**

I am writing on behalf of the Australian Institute of Company Directors (AICD) to express our views on the above discussion paper (the Discussion Paper).

The AICD is the peak organisation representing the interests of company directors in Australia. Current membership consists of over 21,000 individuals drawn from large and small organisations, across all industries, and from private, public and the not-for-profit sectors. The AICD has had a standing policy committee focusing on financial and other reporting issues for over twenty years.

The AICD recognises that a common set of global standards has some appeal and offers potential benefits for large multinational corporations and investors in them. We do however have some fundamental concerns with the current project:

- the AICD does not believe the likely changes that will result from harmonising International Financial Reporting Standards (IFRS) and Financial Accounting Standards Board (FASB) standards are in the interests of the vast majority of companies following IFRS; and
- the process of rule amendment and interpretation for IFRS is already difficult, and we believe this will be made worse if the IFRS and FASB standards were replaced by a single set of standards.

The AICD believes the International Accounting Standards Board (IASB) should undertake a detailed cost-benefit analysis concerning the adoption of a new conceptual framework. This should take into account the entire range of entities that currently comply with IFRS. It should also take account of the uses of financial reports and the implementation of IFRS in those countries that have adopted, or are in the process of adopting IFRS.

It is clear that the proposed framework is drafted in a way which is more likely to align with existing FASB standards, rather than IFRS. More specifically, the Discussion Paper appears to be written largely with relatively major U.S. listed corporations in mind. The AICD is strongly opposed to this approach.

One specific matter that clearly reflects the position in the United States, is the very limited concept of stewardship used in the Discussion Paper. This ignores the central governance role that boards of directors fulfil in jurisdictions such as Australia and the United Kingdom. For instance, paragraph OB27 of the Discussion Paper says:

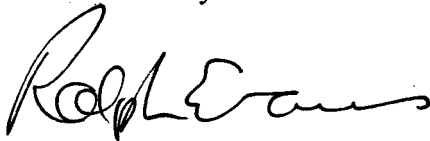
“Management of an entity is accountable to owners (shareholders) for the custody and safekeeping of the entity’s economic resources and for their efficient and profitable use..... Because management’s performance in discharging its stewardship responsibilities significantly affects an entity’s ability to generate net cash inflows, management stewardship is of significant interest to users of financial reports who are interested in making resource allocation decisions”.

The AICD would be extremely concerned if this position was to form a conceptual underpinning of the IFRS framework. The AICD believes there should be greater recognition of the stewardship arrangements, including the role of the board of directors and the role that financial reporting performs in this context, in the countries that have adopted IFRS.

It is noted the intention is that, once the conceptual framework relating to for-profit private companies is developed, the IASB and the FASB will consider the applicability of these concepts to other entities. We would caution the IASB against any attempt to “shoehorn” other entities into this framework. As you would be aware, where jurisdictions such as Australia have applied IFRS beyond listed companies (in particular non-listed SMEs), there is already a great deal of concern about the additional cost of imposing such standards on non-listed businesses.

We trust the above comments are of assistance. If you have any questions in connection with this letter please contact me or Mark Blair (Senior Policy Advisor).

Yours sincerely



**Ralph Evans**  
**Chief Executive Officer**

CC Professor David Boymal, Chairman, Australian Accounting Standards Board  
Mr Charles Macek, Chairman, Financial Reporting Council