



**The Institute of
Chartered Accountants
in Australia**

15 March 2006

The Chairman
Australian Accounting Standards Board
E Mail: standard@asb.com.au

CC Mr Robert Garnett, Chairman, IFRIC

Dear David,

Invitation to Comment – IFRIC D 18, Interim Financial Reporting and Impairment

The Institute of Chartered Accountants in Australia welcomes the opportunity to make a submission on the Urgent Issues Group's (UIG's) Invitation to Comment (ITC) and wholeheartedly supports the UIG's view as expressed in their draft submission published on the AASB website.

In our view, it is implicit within the legislative framework for interim reporting that interim reports represent an intermediate stage intended to update stakeholders as to the entity's progress, as compared with the annual financial report, which is a more elaborate and detailed production. The following features support this contention:

1. Interim reports can be accompanied by a review report, rather than an audit report, because our legislators consider a lesser level of assurance to be appropriate.
2. A condensed financial report may be prepared instead of a full financial report for an interim report.
3. The interim report often takes the form of the Stock Exchange lodgement rather than a separate financial report. This is acceptable to the ASX and ASIC.

These concessions to interim reporting from our regulators have been granted in order to ensure that interim information is produced in a timely fashion, while still maintaining an appropriate level of accuracy and detail. Consequently, it is entirely inappropriate to require a company to effectively lock in impairment calculations that have been prepared for an interim report.

Secondly, as a general principle of interpretation, the specific takes precedence over the general and so for an interim report, our first point of reference is AASB 134. The intended scope of AASB 134 para 3 is quite clear: "If an entity's interim financial report is described as complying with Australian Accounting Standards, it must comply with the requirements of this Standard." Any UIG/IFRIC interpretation must stay within the existing requirements of the standards; changing those requirements is the role of the AASB/IASB.

AASB 134 states in para 23 "In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data" and in para 28, "the frequency of an entity's reporting ... shall not affect the measurement of its annual results". To make an interim impairment adjustment irreversible directly contradicts this requirement, as the impairment loss in the annual report is effectively the accurate remeasurement for the whole year of an amount that was estimated for the interim period.

Lastly, an entity is permitted to prepare a full financial report as its interim report. If it chooses to do so, AASB 101 and all the other accounting standards apply, including, of course, the requirements of AASB 136 and AASB 139. AASB 134 is quite clear in its distinction between the preparation of a complete financial report and the preparation of a condensed interim report under AASB 134 – see para 9. To mandate full general purpose financial reporting for all interim reports by a back door route as is proposed would place an unacceptable additional burden of regulation on business and be detrimental to the timeliness of reporting which is an important driver for interim financial reporting.

Yours sincerely



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