



30 November 2007

Mr David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

Dear Mr Boymal,

**ED 159 PROPOSED IMPROVEMENTS TO
AUSTRALIAN ACCOUNTING STANDARDS**

ACAG welcomes the opportunity to comment on the proposed improvements to International Accounting Standards. There is one issue that causes us concern.

Question 4

Do you agree with the proposal to require an entity that cannot make an unreserved statement of compliance with IFRSs to describe how its financial statements would have been different if prepared in full compliance with IFRS? If not, why not?

We disagree with this proposal. There are unintended consequences and we think the costs of implementing such a proposal outweigh the benefits.

Where the applicable financial reporting framework is IFRS, and an entity has not complied, an explanation of the impact of non-compliance is certainly appropriate. However, in Australia and other countries where the framework is a local equivalent to IFRS, problems arise. An entity that applies its applicable framework would be required to disclose the impact of non-compliance with another framework. This is hardly relevant information, and, as such, the cost of preparation of the information would outweigh the benefits.

Sector neutral standards based upon IFRS include modifications to IFRS to cater for the information needs of public sector and not-for-profit entities. Under the proposals, these entities would be forced to make disclosures about information that the local regulators have already identified as unnecessary or inappropriate.

Such disclosures would impose a cost upon preparers with no additional benefits. In fact, these disclosures would likely confuse users.

We do not agree with the view in BC 2 that users might expect there to be a close relationship between financial statements based on IFRS and those in compliance with IFRS. We think that most users will not have this expectation.

The proposal should be restricted to those entities whose applicable financial reporting framework is IFRS. Alternatively, the proposal should be amended to address the situation when an entity cannot make an unreserved statement of compliance with the applicable financial reporting framework. Under these circumstances, an entity would disclose how its financial statements would have differed had the entity complied with its applicable financial reporting framework.

The views expressed in this submission represent those of all Australian members of ACAG.

Yours sincerely



for. Frank McGuinness
Chairman

ACAG Financial Reporting and Auditing Committee