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Via email: standard@asb.com.au

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Dear David

Exposure Draft ED 151 *Australian Additions to, and Deletions from, IFRSs*

Thank you for the opportunity to comment on the Exposure Draft ED 151 *Australian Additions to, and Deletions from, IFRSs*.

Our comments have been prepared in consultation with our members through our Financial Reporting and Governance Centre of Excellence.

CPA Australia:

- strongly supports the Australian Accounting Standards Board's (AASB) decision to have the same requirements as in the International Financial Reporting Standards (IFRS) in respect of for-profit entities; and
- suggests that the AASB give consideration to elevating to the body of AASB 101 *Presentation of Financial Statements* each of the 'compliance with IFRS' statements that currently sit within the "Comparison with International Pronouncements" that precede each of the Australian equivalents to IFRSs (AIFRS).

Same requirements

CPA Australia considers that in order for for-profit entities to obtain the full benefits of the Australian adoption of IFRSs, it is important that the same requirements as IFRSs are in the AIFRSs.¹ Some of our members have expressed to us their concern that some of the options within IFRSs do not result in the highest quality financial reporting. We understand their concerns. However, following our analysis of all the options within IFRSs we do not think that any of those options require the AASB when acting in accordance with section 227 of the *Australian Securities and Investment Commission Act 2001*² to temper the operation of the Financial Reporting Council's directive to the AASB as it relates to for-profit entities - "...the accounting standards applicable to reporting entities under the Act will be the standards issued by the International Accounting Standards Board..."³

¹ However, we support the changing of words where there is a need to accommodate the Australian legislative environment. For example: the need to include an Australian application paragraph that mentions the *Corporations Act 2001*; the terminology used in the *Framework for the Preparation and Presentation of Financial Statements* and AASB 101 that refers to "financial report" consistently in the various paragraphs whereas the International Accounting Standards Board's equivalent pronouncements refer to the term "financial statements"; and the footnote inserted to *AASB 132 Financial Instruments: Presentation*, paragraphs 33 and 34 relating to "Treasury Shares" which refers to the *Corporations Act*.

² Section 227 of the ASIC Act requires, inter alia, the AASB to:

- have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres; and
- modify the text of the international accounting standard to the extent necessary to take account of the Australian legal or institutional environment and, in particular, to ensure that any disclosure and transparency provisions in the standard are appropriate to the Australian legal or institutional environment.

³ FRC Bulletin 2002/4.

CPA Australia understands that in the interests of brevity, ED 151 does not identify all of the removed options that the AASB proposes to reinstate. To assist the AASB in its reinstatement process we have identified the following examples for reinstatement not identified in ED 151:

- AASB 138 *Intangible Assets*, paragraph 44 excludes the last sentence in the equivalent IAS 38 *Intangible Assets* paragraph which reads "If an entity chooses not to recognise the asset and the grant initially at fair value, the entity recognises the asset initially at a nominal amount (the other treatment permitted by IAS 20) plus any expenditure that is directly attributable to preparing the asset for its intended use."; and
- AASB 139 *Financial Instruments: Recognition and Measurement*, paragraph AG3 does not make reference to the proportionate consolidation method which is stated in the equivalent paragraph of IAS 39 *Financial Instruments: Recognition and Measurement*.

Elevation of 'Compliance with IFRS' Statements

AASB 101 paragraph 14 requires "An entity whose financial statements and notes comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. The financial statements and notes shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs."

CPA Australia considers that in order for for-profit entities to obtain the full benefits of the Australian adoption of IFRSs, it is important that preparers of general purpose financial reports make the statement of compliance required by AASB 101.14 (subject to AASB 101.Aus14.1-14.2). We consider that elevation of the 'compliance with IFRS' statements that precede each of the AIFRS to the body of the AASB 101 would:

- better communicate the AASB's opinion on the equivalence of the AIFRSs and IFRSs; and
- provide preparers with a better context for their making of the statement of compliance required by AASB 101.14.

We are of the view that elevation would be consistent with the AASB's policy of changing words where there is a need to accommodate the Australian legislative environment.

CPA Australia considers that as it is AASB 101 that requires the preparers of general purpose financial reports to make the explicit and unreserved statement of compliance, AASB 101 is the most appropriate standard for the 'compliance with IFRS' statements that precede each of the AIFRS. As the body of a standard includes any appendix that is an integral part of that standard, we suggest such an appendix be appended to AASB 101 that lists each of the thirty-seven 'compliance with IFRS' statements. A footnote to AASB 101.14 could then refer the reader to the appendix

If you have any queries on our comments, please contact Dr Mark Shying, CPA Australia's Financial Reporting and Governance Senior Policy Adviser at mark.shying@cpaaustralia.com.au or John Ngiam, CPA Australia's Financial Reporting and Governance Policy Adviser at john.ngiam@cpaaustralia.com.au.

Yours sincerely



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