

30 August 2007

Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street  
NE  
Washington  
DC 20549-1090  
**UNITED STATES**

Dear Ms Morris

**File Number S7-13-07 ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS WITHOUT RECONCILIATION TO U.S. GAAP**

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants (the Institute) is pleased to submit its comments on recent proposals by the Commission. The FRSB is responsible for developing financial reporting standards in New Zealand. These standards apply to entities preparing general purpose financial statements in accordance with generally accepted accounting principles (GAAP) in New Zealand.

The FRSB supports the Commission's proposal to accept IFRS financial statements from foreign private issuers without reconciliation to U.S. GAAP. This will be a major step in the movement towards a single set of high-quality, principles-based, globally accepted accounting standards. The FRSB also supports 2009 as the date for removing the reconciliation requirement as it gives investors a reasonable time period in which to familiarise themselves with IFRSs.

The FRSB notes that the Commission has also published a Concept Release (File Number S7-20-07) on allowing U.S. issuers to prepare financial statements in accordance with IFRSs. The FRSB supports this proposal. The FRSB finds that it is entirely consistent with the Commission's aim of encouraging movement towards the creation of a single set of high quality globally accepted accounting standards.

The FRSB would also like to draw to the Commission's attention a few issues which it has identified.

In New Zealand, we have a single set of standards, known as New Zealand equivalents to IFRSs (NZ IFRSs), which apply to all entities preparing general purpose financial statements in accordance with GAAP. NZ IFRSs are developed using guidelines, which require that recognition and measurement requirements in IFRSs cannot be amended for profit-oriented entities, and that additional disclosure requirements may be added. For other types of entity that are not profit-oriented, such as public sector entities, NZ IFRSs include additional paragraphs to provide guidance or suitable modifications, to ensure that the accounting requirements are appropriate to those types of entity. Therefore, profit-oriented entities that have listed securities (and some other profit-oriented entities) are required to comply with IFRSs, including the requirement in paragraph 14 of IAS 1 *Presentation of Financial Statements*, to explicitly and unreservedly make a statement of compliance with IFRS, in the notes to the financial statements. However, other types of entity that are not profit-oriented are not required to comply with paragraph 14 of IAS 1.

The Concept Release, on pages 16 and 17, describes how some countries have adopted IFRSs by incorporating them into their national accounting standards. However, the Concept Release proposes to use the wording "the English version of International Financial Reporting Standards as published by the International Accounting Standards Board". IFRSs that have been incorporated into national accounting standards are not strictly within the meaning of "as published by". However, it seems clear that the Concept Release is proposing an exemption from the reconciliation requirement for all foreign private issuers which can explicitly and unreservedly state compliance with IFRSs, under the requirement in paragraph 14 of IAS 1. The FRSB suggests that the wording be amended accordingly.

The Concept Release, on page 32, describes how a securities regulator may find it necessary to state a view on an accounting issue where neither the IASB nor IFRIC has addressed that issue. It goes on to state that the regulator subsequently could consider referring the issue to the IASB or the IFRIC for resolution of the issue for all constituencies. It also states that the "Commission and the staff would not expect to issue guidance that is inconsistent with IFRSs as published by the IASB, the interpretations provided by IFRIC, or the definitions, recognition criteria and measurement concepts in the IASB's *Framework*." The FRSB urges the Commission to minimise the publication of such views, because IFRS is a principles-based set of standards which do not cover every transaction or event, and whenever a view is published on a specific transaction or event, it is likely that this view will be interpreted as a de-facto rule. The FRSB is aware that, inevitably, the publication of views on accounting issues cannot be avoided in some cases; however, it encourages the Commission to refer all such views to the IASB or IFRIC to ensure that consistency with IFRS is maintained and that all jurisdictions get the benefit of any new or amended guidance.

The Concept Release, on pages 61 and 62 and related to Question 30, describes how U.S. GAAP guidance may be useful to foreign private issuers in the application of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, where there is no Standard or Interpretation in IFRSs that specifically applies to a transaction or event. However, the FRSB consider that the Concept Release does not highlight the fact that IAS 8 has additional requirements where an entity is considering the use of guidance from other standard-setting bodies. Paragraphs 11 and 12 of IAS 8 state that such guidance can only be used to the extent that it does not conflict with IFRSs dealing with similar and related issues, and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*. The FRSB recommends that the final document be amended to reflect these paragraphs.

If you have any queries or require clarification of any matters in this letter, please contact Annette Davis ([Annette.davis@nzica.com](mailto:Annette.davis@nzica.com)) in the first instance, or me.

Yours sincerely



Joanna Perry  
Chairman – Financial Reporting Standards Board  
Email: [joannaperry@xtra.co.nz](mailto:joannaperry@xtra.co.nz)

Cc: Jane Diplock, Chairman, New Zealand Securities Commission