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Chair
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9 January 2006

Dear David

Proposed Interpretations Model for Australian Accounting Standards

Overall, we agree with the proposals set out in the Invitation to Comment ("ITC"). Our comments on the specific matters raised for comment and on other issues are set out below.

The proposal to establish advisory panels on issues is a more flexible and adaptive approach than having a formally established body

The proposal to establish advisory panels will allow more flexibility as it will permit the AASB to draw on a range of people with expertise in the particular issues under consideration. This should improve the speed with which issues are resolved.

The proposed size and composition of advisory panels and appointment on the basis of professional competence and relevant experience is preferable to appointment on the basis of representation

We agree with the proposed size of the panels and appointment on the basis of expertise.

However, representation of the various preparer and user groups is important and should not be abolished altogether. The AASB could achieve this representation by asking various groups to put forward the names of members with expertise in different subject areas. The AASB could then select members of different Panels from this list, with the proviso that relevant expertise would determine the composition of each panel. For example, a panel formed to consider an issue relating to not-for-profits would be drawn from representative groups concerned with not-for-profit accounting, rather than all the representative groups.

The formation of an Interpretations Agenda Committee, its role and the manner in which requests for guidance are dealt with will facilitate more timely responses on issues

Agree.

The manner of the interaction with the IFRIC and its processes is appropriate

The ITC envisages that the Agenda Committee could decide to develop interpretations of Australian equivalents to IFRS in the following circumstances:

- The issue is specific to the Australian environment
- IFRIC has rejected an issue but has not provided any guidance in its reasons for rejection
- IFRIC is not able to deal with an issue in a timely manner.

The ITC notes that these circumstances are expected to be rare, at least in respect of the second bullet above. However, the development of any IFRS interpretations by particular countries opens up the possibility of the emergence of different “versions” of IFRS in those countries.

From a practical view, we can see that the individual country standards setters will start to develop interpretations, if only because IFRIC will not have the resources to deal with all the issues presented to it.

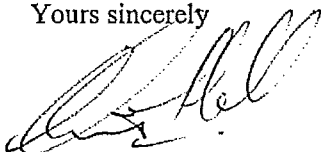
To counteract the possibility of different versions of IFRS emerging, we would prefer a system of IASB/IFRIC endorsement of any interpretations developed by individual countries. This would reduce the potential for inconsistent interpretation and also allow the individual country standards setters to contribute to the body of interpretative literature available to all IFRS users.

Other issues

The ITC focuses on the use of Advisory Panels for resolving interpretative issues. The AASB could also use the proposed model to obtain input for other activities. For example the AASB could form panels to develop responses to IASB Exposure Drafts and to provide input on the development of accounting standards, either Australia specific, or where the AASB is a member of an IASB project team.

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact me on 02 9335 7108, or Elizabeth McCloy on 02 9455 9748.

Yours sincerely



Chris Hall
Partner