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International Accounting Standards Committee Foundation
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CL 17

22 September 2006

Dear Mr Seidenstein

IFRIC due process

The Association of Chartered Certified Accountants (ACCA) is pleased to have this opportunity to comment on the draft Due Process Handbook for the International Financial Reporting Interpretations Committee (IFRIC) which was considered by ACCA's Financial Reporting Committee. I am writing to give you their views.

Overall comments

In general we support the proposals for due process at IFRIC as set out in our responses to the questions below.

We find however that the due process issues raise further questions in our mind about the role of IFRIC more generally and whether such a body is needed in its present form. We note that under the current arrangements

- IFRIC cannot amend an accounting standard, it can only interpret existing ones
- Its role is not to address urgent issues in accounting, which we perceive as a real need.
- Its pronouncements clarify issues in the standards and as such carry equal authority as the standards themselves. The interpretations are subject to the approval by IASB itself.
- Because its pronouncements have equal authority, it is hard to justify very different exposure periods from IFRS or very different minimum intervals between publication and application. This removes the 'rapid reaction' justification for having IFRIC as a separate body issuing pronouncements.

It seems possible therefore that these interpretations could be issued by IASB and there is no need for this extra body. The minor corrections to the standards could be accomplished if these pronouncements were issued by IASB itself. We note that IASB are intending in future to gather together minor amendments to the standards that have come to light into annual omnibus exposure drafts.

In many ways IFRIC's key role appears not to have been issuing the interpretations, but in the rejection of issues submitted to it on the one hand and identifying amendments to the standards that IASB need to address. This role seems more akin to an "accounting court" which can rule on the compliance of treatments with IFRS and equally identify amendments or clarifications that might be needed in the standards. It would seem there might be a demand for such a role.

ACCA responses to specific questions raised by IASCF

We have noted above some concerns over the role of IFRIC. Notwithstanding this, we have below provided our views on the specific due process proposals, assuming that IFRIC's existing role continues.

Q1. Agenda committee

This seems a reasonable process designed to weed out issues that should not be considered. It is important that the final agenda decisions are left to IFRIC itself.

Q2. Agenda criteria

These generally seem right. The criteria are fairly restrictive as to the sorts of issue on which interpretations would be given. We agree with this approach as we generally support more principles-based standards and interpretations risk adding more rules.

The criteria should address the question of whether IFRIC can resolve apparent conflicts between standards, such as seemed to be the case with their recent draft on impairments and interim reporting. We consider IFRIC should be able to resolve such questions.

Q3. Rejected issues

The suggested procedures follow the right approach. As we have noted above this has been a key activity for IFRIC and it is important that there

be transparency in this area and the right for constituents to respond to the rejection.

Q4. Relationship with national standard setters etc.

There should be a general obligation or encouragement for relevant national bodies to refer their own interpretations of standards based on IFRS to IFRIC. If IFRIC are then aware of conflicting interpretations in different countries they should act themselves to clarify the position. If there is no need for an IFRIC interpretation on the issue this can be made plain via the rejected issues procedure noted above.

Other matters

It seems anomalous that pronouncements with equal authority to the standards are passed on a different system

- For voting majorities at IFRIC, abstentions count as votes in favour on the one hand and on the other hand changes can be blocked by 4 votes on IFRIC, but that would need 5 on IASB.
- The 3 month period between issuance and compulsory application is too short. IASB have recently announced a minimum one year lead-time for new IFRS. The same issues of the time that should be reasonably allowed for translation and the incorporation into local legislation (for instance the EU endorsement process) apply equally to official interpretations as to standards.

While interpretations can be superseded by new standards, there is no apparent procedure for IFRIC to vote to withdraw an interpretation.

If there are matters arising from any of the above please be in touch with me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Martin', is positioned above the printed name.

Richard Martin
Head of Financial Reporting