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September 5, 2006

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International Accounting Standards Committee Foundation
30 Cannon Street
London
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United Kingdom

Dear Mr. Seidenstein:

Draft Due Process Handbook for the IFRIC

The following comprises the response of Canadian Accounting Standards Board staff (AcSB staff) to the IASCF's Draft Due Process Handbook for the IFRIC. The response first addresses the four questions raised in the draft handbook. Following this are comments on certain other issues.

Question 1 – Do you agree with the Agenda Committee process described in paragraphs 23-27?

While we agree with the specifics of the process as described in these paragraphs, the following enhancements would improve the process:

- a) Paragraph 7 states "In reaching its consensus views, the IFRIC also has due regard for the need for international convergence." This is a very weak, vague statement and it is unclear what effect, if any, it has. The importance of convergence in interpretations as well as in standards cannot be overstated. Differences in interpretations of converged standards will result in US and International GAAPs that are not converged, even if the underlying standards are fully converged.

The decision that the Chair of the IFRIC or his nominee should attend EITF meetings and vice versa was a positive step; however it does not ensure that interpretations will be converged. The IFRIC Due Process Handbook should require the Agenda Committee to monitor the EITF as well as new and proposed

FSPs, and to work with the EITF and FASB to develop converged interpretations on issues where the two GAAPs are converged.

Of course, to be successful this requires the FASB to take a similar approach to interpretations. This would suggest that the existing MOU between the IASB and the FASB be extended to include interpretations (or alternatively a second MOU focusing on interpretations be developed).

- b) Paragraph 23 states “The source of a suggested agenda item is not revealed to the Agenda Committee or to others”. This is, in general, a sensible practice. However if a suggested agenda item comes from an NSS or NIG there may be, in some cases, significant benefit in staff from that body participating in the Agenda Committee discussion, as they may have done significant work in researching the issue and alternative accounting approaches. This participation would obviously be impossible without revealing that the NSS or NIG was the source of the suggested agenda. The Agenda Committee should be able, at their discretion, to request NSS or NIG staff to participate in their discussions.
- c) Proposed issues should be posted on the IFRIC website as they are received. Other constituents with similar concerns would then have the opportunity to provide input to the Agenda Committee’s discussions on whether the issue fits the IFRIC agenda criteria. This should not be viewed as a formal comment period with a minimum period and therefore would not delay an item going to the Agenda Committee. It would provide an increase in transparency and potentially additional input to the Agenda Committee for minimal cost or effort.

Question 2: Do you agree with the agenda criteria listed in paragraph 28?

Yes. These criteria are consistent with those that interpretive bodies have found to be effective in the past.

Presumably criterion (d) is intended to include the Framework, but it would add clarity if this was made explicit.

Question 3: Do you agree with the consultative process for issues that are not added to the IFRIC agenda?

Yes.

Question 4(a): Do you agree that NSSs and NIGs should be encouraged to refer interpretive issues to IFRIC?

Yes. There is a danger in different NSSs and NIGs issuing independent interpretations in that an interpretation issued by one NSS or NIG may differ from one on the same or a similar issue that is issued by a different NSS or NIG. As already noted, differences in authoritative interpretations result in accounting that is not converged. Therefore it is preferable that, to the extent possible, interpretations be issued by IFRIC. Only if IFRIC decides not to address an issue should an NSS or NIG contemplate issuing an interpretation.

Question 4(b): Do you agree that IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs.

Requiring IFRIC to consider local interpretations would have significant problems, including the time required by IFRIC staff on issues that the IFRIC may not consider important. IFRIC should not be required to do this.

However, as currently drafted this is an absolute prohibition. It does not allow for limited circumstances where an endorsement by IFRIC that a proposed interpretation by one or more NSSs or NIGs is consistent with IFRSs would be worthwhile. An example might be an issue which IFRIC decides is not widespread or on which it would not be able to reach agreement on a single answer.

IFRIC should be given the discretion to comment on whether a local interpretation is consistent with GAAP. This could be done by wording such as "IFRIC has no obligation to consider....." IFRIC could quickly establish a practice of being very selective about which requests it responds to and NSSs and NIGs would likely adapt to this in a short timeframe.

Other comments

1. The material in the draft document includes topics other than due process. The material fits well together and it is helpful to have it in one place. Consideration should be given to a different title for the handbook that better reflects its content.
2. Paragraph 18 includes the statement “Preparers, auditors and others with an interest in financial reporting are encouraged to refer issues to the IFRIC”. This should also specifically mention NSSs and NIGs, together with a reference to paragraph 55.
3. Paragraph 30 discusses the record of decisions not to add an item to IFRIC’s agenda. While these may not form part of International Financial Reporting Standards¹, the decisions will be considered as “other accounting literature”² to be considered by companies and their auditors in developing and applying an accounting policy to address similar issues. It is therefore important that these decisions be available to all constituents in an accessible and useful manner (and not just to those with the resources to develop their own database). It is illogical to publicize the reasons for not taking an issue onto the agenda and then making it difficult to retrieve that decision at a time when it is relevant to a constituent.

Development by the IFRIC of a searchable data base of reasons for rejection of issues would be of significant help to constituents and ensure they all have equal access to this information. This database would not be part of International Financial Reporting Standards as defined in IAS 8 but would be classified in a similar manner to implementation guidance.

4. The five year review of the mandate and operating procedures should be required to include public consultation. The views of constituents are critical in such a review.

¹ See definition of International Financial Reporting Standards in paragraph 5 of IAS 8.

² IAS 8 paragraph 12

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We hope that these comments are useful to the IASCF. We would be pleased to elaborate on these points in more detail if you so require. If so, please contact Peter Martin, Director, at +1 416 204-3276 (e-mail peter.martin@cica.ca), or Mark Walsh, Principal, at +1 416 204 3450 (e-mail mark.walsh@cica.ca).

Yours truly,



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cc. Tricia O'Malley - IASB
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