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21 September 2006

Mr. Thomas Seidenstein
IASC Foundation
30 Cannon Street, London EC4M 6XH
United Kingdom

Dear Mr. Thomas Seidenstein:

The International Financial Reporting Standards Review Committee (IFRSRC) of the Korea Accounting Standards Board (KASB) has finalized its comments on IASCF Draft Handbook, *Due Process of the International Financial Reporting Interpretations Committee*. I would appreciate your including our comments in your summary of analysis.

The enclosed comments are those of the IFRSRC and do not represent official positions of the KASB. Official positions of the KASB are determined only after extensive due process and deliberation, to which this letter has not been subjected.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to myself (cwsuh@kasb.or.kr) or to Mr. Kyoung-chun Yu (yukc007@kasb.or.kr), researcher of KASB.

Yours sincerely,



Dr. Chungwoo Suh
Chairman, International Financial Reporting Standards Review Committee
Vice Chairman, Korea Accounting Standards Board

Cc: Hyoik Lee, Chairman of KASB
Sungsoo Kwon, Director of Research Department

Encl.

CWS/ykc

IFRSRC/KASB Comments on IASCF Draft Handbook
Due Process of the International Financial Reporting Interpretations Committee

Question 1: *The Agenda Committee assists the IASB staff in presenting issues to the IFRIC so that the IFRIC can decide whether to add an issue to its agenda (paragraph 23). The Agenda Committee is not a decision-making body and does not meet in public (paragraph 26). The Agenda Committee reports to the IFRIC at its regular meetings on the issues the Agenda Committee considered and the Agenda Committee's recommendation on each issue (paragraph 27). Do you agree with the Agenda Committee process described in paragraphs 23–27? If not, what changes do you propose, and why?*

The IFRSRC of the KASB does not agree with the process specified in paragraph 23. We believe that it should be the Agenda Committee that should assume the leading role “in presenting issues to the IFRIC”, not the IASB staff, and thus should be the one assisted by the IASB staff, not vice versa, on preparatory and other administrative matters related to the presentation of issues to the IFRIC.

Moreover, we believe that both transparency and timeliness are crucial in respect of due process of IFRIC and thus would like to make the following suggestions:

1. The Agenda Committee should be a group representative of all stakeholders around the world. Since even one interpretation could either be beneficial or harmful to investors in any specific economic region or environment, transparency of choosing and presenting issues to the IFRIC is essential to the Agenda Committee. We hence believe that more information on meetings of the Agenda Committee should be made public and that its membership should be broadened so as to include additional members and to provide broader perspectives. More specifically, we would like to argue that the Agenda Committee should be representative of balanced geographical backgrounds for the benefit of the entire global community.
2. The IFRIC agenda papers and recommendations of the Agenda Committee should be made publicly available on a timelier basis. To that regard, it is our belief that the IFRIC agenda papers and proposed draft interpretations should also be publicly distributed even without the consent of the Chairman, since informal results of consultations are also helpful to stakeholders around the world. Furthermore, we believe that any significant meetings of the Agenda Committee should also be held in public.

Question 2: *The IFRIC assesses proposed agenda items against the criteria listed in paragraph 28. For inclusion in the agenda an issue does not have to satisfy all the criteria. Do you agree with the agenda criteria listed in paragraph 28? If not, please specify the criteria you would add, alter or delete, and explain why.*

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We agree with all criteria except for the criterion specified in paragraph 28(e). It is our belief that ability or inability “to reach a consensus view on a timely basis” should not be a criterion for considering whether or not to add an issue to the IFRIC agenda. If an issue is complex, “widespread”, “has practical relevance”, and is not adequately addressed in IFRSs or currently available interpretations, it is the responsibility of the IFRIC to develop a plan with an appropriate timeline to solve such issue regardless of whether or not it can “reach a consensus view on a timely basis”.

In addition, we would like to propose that the IFRIC establish specific timelines for preparing a draft interpretation in order to produce useful interpretation on a timely basis and specific time period for responding to each technical inquiry it receives from the public.

Question 3: *A consultative period applies to issues that are not added to the agenda. The draft reason for not adding an item to the agenda is published in IFRIC Update and electronically on the IASB Website with a comment period of about 30 days. Do you agree with the consultative process for issues that are not added to the IFRIC agenda? If not, what changes do you propose, and why?*

Although we agree with the overall consultative process for issues that are not added to the IFRIC agenda, we are concerned with the term *about* used in the phrase “a comment period of about 30 days”. We believe the comment period should be more clearly defined and thus would like to propose that it be rephrased to “a comment period of *at least* 30 days”.

Question 4: *The IFRIC’s relationship with national standard-setters (NSSs) and interpretative groups (NIGs) is described in paragraphs 54 and 55.*

(a) *Do you agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC? If not, why not?*

As it has been noted in paragraphs 47 and 48 of IASCF Consultation Paper, *Review of IFRIC Operations* (April 2005), the IFRSRC of the KASB is not in favor of the notion of sharing the IFRIC’s interpretative authority with NSSs/NIGs—in other words, we also “do not support proliferation of sources of interpretation”. We hence agree in principle that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC first.

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(b) *Do you agree that the IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs? If you disagree, please explain why.*

Despite our agreement to Question 4(a), however, we are mostly concerned with the circumstance when the IFRIC either decides not to add to its agenda an issue raised by an NSS/NIG or is simply unable to deliberate on such issue because of lack of resources.

It is our opinion that, just as it has the right to provide single authoritative interpretation on IFRSs, the IFRIC also has the responsibility to ensure NSSs/NIGs in circumstances when their interpretative demands are not met by the IFRIC.

To that respect, we believe that, despite a number of limitations noted in paragraphs 42-50 of IASCF Consultation Paper, *Review of IFRIC Operations* (April 2005), the model illustrated after paragraph 50 provides a fairly good and sustainable system of collaboration between the IFRIC and NSSs/NIGs in meeting and providing timely responses to various interpretative demands of local jurisdictions.

In essence, we would like to propose that this Handbook on IFRIC Due Process adopt and include the same illustrated model that is included after paragraph 50 of IASCF Consultation Paper, *Review of IFRIC Operations* (April 2005).