



29 November 2010

The Trustees of the IFRS Foundation  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sirs

**Re: Consultation Document – The annual improvements process: Proposals to amend the Due Process Handbook for the IASB (the "consultation document")**

We are pleased to respond to the invitation by the Trustees of the IFRS Foundation ("the Trustees") to comment on the consultation document, *The annual improvements process: Proposals to amend the Due Process Handbook for the IASB*, on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those member firms who commented on the exposure draft. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We welcome the opportunity to comment on the consultation document. We support the Trustees' proposal to amend the Due Process Handbook to include criteria for assessing whether an issue should be dealt with through the annual improvements project. We agree that it is helpful to have criteria for distinguishing between potential improvements and more significant projects.

We have some comments on the proposed criteria, which are set out below together with our drafting suggestions.

**Question posed in the consultation document**

*The proposed amendments to the IASB Due Process Handbook are intended to provide enhanced criteria to assist the IASB and interested parties when determining whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process.*

*Do you think that the proposed criteria provide a sufficient and appropriate basis for assessing whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process? If not, what changes would you propose and why?*

For ease of reference we reproduce the proposed criteria below.

*65A In planning whether an issue should be addressed by amending IFRSs within the annual improvements project, the IASB assesses the issue against the following criteria. All criteria (a)-(d) must be met to qualify for inclusion in annual improvements:*

- a) *The proposed amendment has one or both of the following characteristics:*
  - i. *Clarifying – the proposed amendment would improve IFRSs by:*
    - *Clarifying unclear wording in existing IFRSs, or*
    - *Providing guidance where an absence of guidance is causing concern.*

*A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.*



- ii. *Correcting – the proposed amendment would improve IFRSs by:*
- *Resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, or*
  - *Addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs.*

*A correcting amendment does not propose a new principle or a change to an existing principle, but may create an exception from an existing principle.*

- b) *The proposed amendment has a narrow and well-defined purpose, i.e. the consequences of the proposed change have been considered sufficiently and identified.*
- c) *It is probable that the IASB will reach conclusions on the issue on a timely basis. Inability to reach a conclusion on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within annual improvements.*
- d) *If the proposed amendment would amend IFRSs that are the subject of a current or planned IASB project, there must be a pressing need to make the amendment sooner than the project would.*

We suggest that the provision of guidance is removed from criterion a). The provision of guidance tends to create rules which undermine the principles of the standards. The need for guidance is already addressed in paragraph 57 of the Due Process Handbook. If guidance was not considered necessary when the original standard was approved, but is now considered necessary, this suggests that the principle within the original standard was poorly expressed. In such circumstances we prefer that the IASB focus on clarifying the principle rather than providing detailed guidance.

We suggest that consideration is given to redrafting criterion d) to:

- *Use the language from paragraph 56 of the Due Process Handbook 'whether requests have been received from constituents, with reasonable justifications, that the IASB should address the issue as a matter of priority' rather than describe the situation as a 'pressing need' which could be challenged as being more subjective and creating a higher hurdle.*
- *Make it clear that the reference to a current project is to one which will shortly be both completed and available for adoption. For example, there are several substantial projects in the exposure draft phase at the moment. These projects may result in a standard in less than 12 months' time, but those standards may not be available for adoption for several years. If the issue is a priority to improve consistency then it should be dealt with on a timely basis.*

If you have any questions in relation to this letter please do not hesitate to contact John Hitchins, PwC Global Chief Accountant (44 207 804 2497) or Mary Dolson (44 207 804 2930).

Yours faithfully,

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