



The Association of
Accountants and
Financial Professionals
in Business

December 12, 2012

IFRS Foundation
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: Proposal to Establish an Accounting Standards Advisory Forum

Dear Trustees:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to provide its views on the Invitation to Comment, “Proposal to Establish an Accounting Standards Advisory Forum” (ASAF). As noted in our August 2, 2011 letter to the United States (US) Securities & Exchange Commission (SEC), “The FRC supports the goal of a single set of high quality, globally accepted accounting standards and the potential approach for incorporating IFRS into the US financial reporting system as outlined in the Work Plan.” We recognize that many of the issues in that Work Plan are still being considered by the SEC as noted in the Final Staff Report dated July 13, 2012. And in the Invitation, we note that the IFRS Foundation would like participating bodies to commit themselves to a number of principles primarily:

“making their best efforts to promote the endorsement/adoption of IFRSs in full and without modification over time (recognizing that, at present, jurisdictions are at different stages in moving towards IFRS and have adopted different mechanisms to achieve this).”

From a United States perspective, therefore, it is up to the SEC (and to a certain extent the Financial Accounting Foundation (FAF)) to make the determination whether to commit the Financial Accounting Standards Board (FASB) or some other possible US representative to the principle above to qualify for ASAF membership. While we continue to support the ultimate goal of a single set of high quality global accounting standards, we believe this may take some time to achieve and the IFRS Foundation as well as standard setters in other countries must continue to move forward on process improvements in the interim. It is in that spirit that we offer comments on the Invitation below.

The FRC is the financial reporting technical committee of the IMA. The FRC includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics, and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.¹

¹ Additional information about the IMA Financial Reporting Committee can be found at www.imanet.org under the Advocacy section.



Questions Asked in the Invitation to Comment

Question 1 – *Do you agree with the proposed commitments to be made by ASAF members (paragraph 6.4) and that they should be formalized in a Memorandum of Understanding (paragraph 6.5)? Why or why not?*

As noted above, we support the ultimate goal of a single set of global accounting standards as mentioned in subparagraph 6.4.1. Subparagraphs 6.4.2 and 6.4.3 regarding encouraging input to the IASB and supporting consistent application of IFRS are harmonious with that goal. With respect to subparagraph 6.4.4, the US position is presently under consideration by the SEC as noted above. We further support subparagraph 6.4.5 with respect to the expectation that participating members of the new ASAF would be expected to provide resources and have the capability to play a full role in the ASAF's technical work.

Our comments in the next section raise the question of how the members of ASAF will develop the positions they express at meetings. In other words, will there or should there be an expectation that members have performed some steps within their respective organization and in consultation with constituents such that views they express at meetings will be both conceptually thoughtful and practical? Otherwise, input may not be meaningful and may be contradicted by later positions by those member organizations or other influential parties in their countries or parts of the world. We encourage the Foundation to consider whether this matter should be formalized in the Memorandum of Understanding.

Question 2 – *The Foundation believes that, in order to be effective, the ASAF needs to be compact in size, but large enough to allow for an appropriate global representation. Do you agree with the proposed size and composition as set out in paragraphs 6.7-6.13? Why or why not?*

We agree with having a reasonably small ASAF to have meetings in which members will actively participate. The size proposed seems reasonable to us although it may be appropriate to provide for a slightly larger range of, say, 12-15 members, to allow for the addition of certain members in coming years that could make obvious contributions beyond the initially named ones.

In addition to responding to the two general matters requested in the Invitation, in the remainder of this letter we have commented on certain aspects of the Proposal where we have questions or concerns, or where we believe improvements can be made. Also, we feel it is appropriate to mention as a general comment our concern that this action can be seen as a “rush to judgment” on an important process matter by the IFRS Foundation. We think the Foundation could create goodwill by extending the comment period well past the year-end holiday season.

Developing Positions for Members to Express at Meetings

Paragraph 6.14 states that “...it is proposed that a single designated individual should be the member of the ASAF, which would most likely (be) the Chair or another senior member of the

organization, given the required level of technical expertise.” Thus, this individual will be representing the organization in question, for example, the accounting standards setting board in a given country. For the advice given to the International Accounting Standards Board (IASB) at these meetings to be truly useful to the Board in its further deliberations on the standards projects in question, it would seem that the positions taken on the issues by the members of the ASAF should be subject to thoughtful development through an appropriate process at each representative organization. Otherwise, the IASB may find itself in the development of standards relying on thinking put forth at ASAF meetings that may be substantially changed when the issues in question are later more carefully considered by those representative bodies and others in the countries and areas in question.

The IFRS Foundation and the IASB itself may feel it is up to the representative bodies to determine how their input to the ASAF is developed. However, without some consideration given to the expectations for how input is developed there is a high likelihood that it will vary greatly among the representative organizations. In that case it will be viewed as serving more of a political purpose of simply giving different groups a chance to “participate” in the standard setting process rather than representing a meaningful step in the development of high quality, global accounting principles. Among the concerns with such a process are the following.

1. Would the organization being represented have to debate the issues in question before authorizing the chosen individual to inform the IFRS of the position being taken? What if it were a split vote in that standard setting organization?
2. Would such meetings to inform the representative of the authorized position to take at the ASAF meetings have to be open to public observation and subject to advance notice?
3. Would constituents be given the opportunity to influence the position to be taken at the ASAF meetings? For example, could corporations, auditors, users, and others through written comments, roundtables, etc. provide information to the organization being represented to allow the person who will appear at the ASAF to have a more informed view of the general thinking among constituent organizations? To be clear, we are not suggesting that a representative should be expected to take a position based on popular support, but we do think it is important to consider whether the position taken can be implemented at reasonable cost, is auditable, and results in information that will be used.

It may not be appropriate for a final paper to spell out exacting details on how representative organizations develop positions for ASAF meetings. But we do believe it is appropriate for such a paper to provide some discussion on matters such as the above to assure that there would be a reasonable level of quality and consistency in the input provided by the various members so that the position taken results in verifiable, useful information at a reasonable cost.

Frequency and Content of Meetings

Paragraph 6.17 suggests that the ASAF could meet four times a year for a day and a half each time. However, paragraph 5.2 indicates that the Forum is proposed to have “detailed technical discussions on current topics on a timely basis.” And paragraph 4.3 refers to “discussions on technical issues, in sufficient depth, that will contribute to the technical work of the IASB.” The latest IASB technical agenda lists about a dozen major projects, depending on how one counts

them. Of course, not all projects progress on a regular basis. But if they did, a day and a half meeting would allow less than an hour per topic, hardly enough for a “detailed technical discussion on a timely basis.” Probably the most that could be accomplished within a day and a half meeting would be a discussion of half of the current agenda topics, and only certain aspects thereof.

Much greater consideration should be given to the objectives of these meetings. If, for example, the IASB wishes to work out technical details of major projects, as it has done during the convergence process with the FASB, then it probably needs to have more frequent and longer meetings. On the other hand, if the meetings are going to deal with only issues at a high level, then the quarterly, day and a half schedule may be sufficient. In other words, it is important that the expectations for such meetings be made clear and that the planning is consistent therewith.

Also, our comments above about the development of member organizations’ positions for meetings will have implications for the frequency and timing of meetings. To the extent that members need to develop their positions through internal discussion or consultation with constituents, that will require early dissemination of meeting materials. For example, it would not be sufficient to distribute materials for a quarterly meeting two or three weeks in advance of a meeting and expect that there would be time for extensive internal or external discussion of those materials within each of the dozen representative organizations. And when the ASAF meetings are expected to focus on “detailed technical matters” there will be even more need to distribute meeting materials well in advance. For advisory groups in the past, it has been common to send out materials two to three weeks in advance but that was in the context of allowing the single member a chance to read the material and, perhaps, check with one or two others. The ASAF is a new paradigm and requires a very considered process.

Providing Input on National and Regional Issues

Paragraph 6.3 states that the role of the ASAF is to provide advice and views to the IASB on major technical issues related to its standard-setting activities. However, that paragraph goes on to propose an additional role of the ASAF “to provide input on national and regional issues.” Given the relatively infrequent number and short duration of the meetings, and given that national and regional issues may often be quite unique (e.g., the implications of a country’s new tax law) and require a great deal of additional study, it does not appear to us that this second suggested responsibility of the ASAF is a practical one. Further, given our comment above on the frequency and content of meetings, it appears the ASAF will have plenty to do in just focusing on IASB issues and adding discussion of issues that might be unique to the twelve members would only be a distraction.

Attendance by IASB Board Members

We note that paragraph 6.19 proposes that IASB Board members would attend ASAF meetings for agenda items for which they act as Board advisors to the staff. We do not understand the logic of this suggestion. Given that a number of topics would be discussed at each meeting, several IASB Board members would have to be in London for the meetings for “their portion” of



the meeting, so it seems to be logical to encourage them to participate at least as observers for the remainder of the meeting. More importantly, given the status of the individuals from the representatives from the various organizations and the advice they can provide, both formally at the ASAF meeting and in informal discussions during breaks, etc., we believe it only makes sense for all IASB Board members to participate in these meetings.

We do understand (and strongly support) that the meetings will be held in public and webcast so that Board members could follow the proceedings on their computers, for example. But the suggestion in the Invitation to Comment seems to “distance” the Board members from the ASAF process and it is not clear why. Perhaps the Foundation is concerned that having too many Board members participate would somehow stifle the input from ASAF members. Or perhaps this is simply an efficiency suggestion. We would not find either of these arguments to be persuasive and unless there are other, compelling reasons, we believe that all IASB Board members should be encouraged to attend ASAF meetings regularly.

Summary

We agree that the addition of an Accounting Standards Advisory Forum would be a useful addition to the IASB’s procedures in developing high quality global accounting standards. However, we note certain suggestions that the Foundation and IASB should consider before finalizing such a group. In particular, we are concerned that the positions expressed at ASAF meetings by representative organizations will be considered by many parties as being taken on behalf of the constituents of these organizations. Any final action on an ASAF should consider how the positions taken by the representative organizations are developed and how well they actually represent the underlying constituencies.

Please contact me at 646 256-3115 if you have any questions about our comments.

Sincerely,

A handwritten signature in blue ink, reading "N. Schroeder", is displayed on a light blue rectangular background.

Nancy J. Schroeder
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cc: Leslie F. Seidman, FASB
Teresa S. Polley, FAF
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