

THE  
INSTITUTE OF  
CHARTERED  
ACCOUNTANTS  
OF SCOTLAND



Response from  
The Institute of Chartered Accountants of Scotland  
to the IFRS Foundation

The Annual Improvements Process: Proposals to amend  
the Due Process Handbook for the IASB

18 November 2010

## **Introduction and Key Issues**

The Institute's Accounting Standards Committee has considered the above consultation and I am pleased to forward its comments to the IFRS Foundation.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Accounting Standards Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

In general we support the proposals to set out detailed criteria for the annual improvements process.

### **Question for consideration:**

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?

### **Response:**

We believe that the criteria proposed will be helpful in assessing whether a matter relating to the clarification or correction of IFRS should be addressed using the annual improvements process. In the past, we have expressed concerns that the annual improvements process has been used to address major problems in standards or to introduce significant changes. We believe that the criteria proposed here will help to address this problem.

However, we are concerned at the wording in paragraph 65A (a) (ii) which states "a correcting amendment.....may create an exception from an existing principle." We think this wording should be deleted as permitting an exception from a principle risks creating a proliferation of rules which will ultimately undermine the original principle. If there is a rare case where an exception to a principle is thought to be required, this should be addressed through a separate project on the specific standard.

We also believe that the criteria should be expanded to address the distinction between when a clarification should be addressed as part of the annual improvement process or as an interpretation of a standard.