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**COMMENT LETTER**

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To  
Thomas Seidenstein  
International Accounting Standards Committee Foundation  
30 Cannon Street  
London  
EC4M 6XH  
United Kingdom

Date  
17 October, 2006

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From  
Frans Samyn

*By email - ifricdueprocess@iasb.org*

Dear Mr Seidenstein

**Draft Due Process Handbook for the IFRIC**

We are pleased to comment on the International Accounting Standards Committee Foundation's Draft Due Process Handbook for the IFRIC (the Draft Handbook).

We support many of the proposals and consider that it is helpful in setting out clearly the approach adopted by the IFRIC when interpreting accounting standards which have been adopted by the IASB. However, we also have a number of significant concerns, which are set out in the attached Appendix which addresses the specific questions raised in the Draft Handbook.

We would be pleased to discuss our comments and observations with you further if this would be helpful. Please contact Helen Thomson of BDO Global Coordination B.V. on +32 2 778 01 30.

Yours faithfully,  
BDO Global Coordination B.V.

  
Frans Samyn  
Chief Executive Officer

## **Appendix**

### **Question 1 – Agenda Committee**

*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 that 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?*

We agree with the majority of the proposals.

We have also considered whether the Agenda Committee should meet in public, *inter alia* as a means of improving its transparency, and have concluded that it should. While the Agenda Committee is a working group and makes recommendations to the IFRIC, it would be helpful for its discussion to be made available to third parties.

### **Question 2 – Agenda criteria**

*The IFRIC assesses proposed agenda items against the criteria listed in paragraph 28. For inclusion in the agenda, an item 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.*

We agree with the criteria.

### **Question 3 – Consultation regarding issues not added to the IFRIC agenda**

*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?*

We agree with the proposed comment period.

However, we have significant concerns over the voting thresholds that are used by the IFRIC. While we agree with the proposed threshold for agreement on a final Interpretation, in our view further consideration is required of voting procedures which are used either to add an item to the IFRIC agenda or to reject it, each of which would appear to require no more than a simple majority.

Where an issue is rejected, this is reported in IFRIC *Update* and may be accompanied by a statement that 'the standard is clear'. As it would appear that such a statement might be made following a vote which is split 7-5, we find this difficult to support. If 5 members of the IFRIC consider that the standard is not clear, it is wrong to issue a statement that it is clear. Many users of IFRS do read the IFRIC *Update* and, despite a decision to reject an issue resulting in no addition to published IFRS literature, constituents do take published comments on rejections into account when reviewing whether a particular approach that they have adopted is appropriate.

While we support the publication of reasons why a particular issue has not been added to the IFRIC agenda, we do also consider that it would be appropriate to change the voting threshold, perhaps to align it with the threshold that is required for the issue of an Interpretation.

We are also concerned at the effect that an IFRIC rejection notice can have, in particular where a statement is made that 'a standard is clear'. *Prima facie*, this would suggest that an IFRS reporter that has adopted a different approach has applied IFRS in error, meaning that a prior year adjustment to correct an error would be appropriate. If, as we have suggested, an enhanced majority is required for an issue to be rejected this, combined with careful consideration of the narrative accompanying a rejection notice, could allow the IFRIC to acknowledge that existing interpretations of IFRS literature might well lead to a range of acceptable practices being adopted. The IFRIC rejection notice could then lead to certain IFRS reporters reconsidering their accounting policies and changing them in accordance with IAS 8.14 b). This would be consistent with the application of principles based accounting standards, and acknowledge that the application of IFRSs may lead to an acceptable range of potential approaches.

#### **Question 4 – Relationship with national standard-setters and interpretative groups**

*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 issues to the IFRIC? If not, why not?*

We agree.

In particular, we consider that it is important that the IFRIC is, as far as possible, made aware of interpretations either issued or contemplated by major jurisdictions which have adopted, or plan to converge, with IFRSs (such as countries within the EU, and Australia, Canada and the US).

- (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.*

We do not agree with the proposals.

Part of the role of the IFRIC is to review issues where conflicting interpretations of IFRSs have developed or seem likely to develop. While the IFRIC should not be required actively to monitor local interpretations, it does have a responsibility to consider and address those issues of which it becomes aware.

It is also possible that a local interpretation might be referred to the IFRIC. In such cases, it would be appropriate for the IFRIC to consider the local interpretation in the same way as it would any other issue referred to it, and either add the topic to its agenda or issue an rejection notice as appropriate.