

Proposal to establish an accounting standards advisory forum

An invitation to comment issued by the IFRS Foundation

Comments from ACCA to the IFRS Foundation
15 December 2012

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Further information about ACCA's comments on the matters discussed here can be sent to:

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ACCA welcomes the opportunity to comment on the matters raised in the invitation to comment issued by the IFRS Foundation. The ACCA Global Forum for Corporate Reporting has considered the matters raised and their views are represented in the following.

SUMMARY

ACCA supports the development of the Accounting Standards Advisory Forum (ASAF) as a means of improving the engagement of the IASB with the national standards setters (NSS). We agree that there is scope for the present consultative arrangements to be streamlined and that the reduction in the joint working with FASB means that it is right to review this area. We consider that it is largely up to IASB to determine the details of how it organises its consultative arrangements, subject to various constraints as follows.

ASAF should be just advisory and not become, or be perceived to become, a shadow board or equivalent to a decision-making body. It is very important that the due process of the IASB is not degraded by the development of the ASAF and continues to involve the widest consultation by the IASB before setting global standards. Consultation with ASAF consisting of twelve NSS cannot begin to replicate that due process – NSS are not necessarily representative of the views of all of the parties within their national boundaries, and twelve of them are not going to be able to be representative of all NSS.

We understand the reasons the IFRS Foundation have given why the membership of ASAF needs to be limited (to twelve members in the proposals), though we think there needs to be some flexibility as to this. There are inevitably some significant NSS with the resources to help IASB who will be, and feel to be, excluded. Twelve members is a small number set against the global scale of the use and ambition of IFRS.

With the development of ASAF the number of consultative bodies that the IFRS foundation supports will grow. Though there has been a due process review recently, the objectives, number and composition of these should be reconsidered.

SPECIFIC COMMENTS

These are set out below and in response to the specific questions raised for comment.

Q1. Do you agree with the proposed commitments to be made by ASAF members and that they should be formalised in a Memorandum of Understanding? Why or why not?

Yes, in principle these seem reasonable. However we would not want to see the proposed wording prevent jurisdictions being members of ASAF that possess adequate capabilities but that have not yet fully adopted IFRS.

Q2. The Foundation believes that, in order to be effective, the ASAF needs to be compact in size, but large enough to allow for a 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 broadly agree with these. However as we have noted above twelve NSS as members is a small number set against the global scale of the use and ambition of IFRS.

We are not sure that including regional bodies is always going to be the answer. EFRAG for example is not a representative of European standard setters let alone the definitive voice of Europe in this regard.

Dividing the world up into constituencies is not always satisfactory. For example Russia and Turkey are two countries which are both in Asia and in Europe. We are not aware of NSS that operate in the 'world at large' and suggest that the two seats currently in that category might be reallocated to countries that do not fall neatly into a geography such as Russia and Turkey.

In general there should be some flexibility and room to increase the composition to cater for future membership, for example when additional jurisdictions move to IFRS and as experience develops with the operation of ASAF.

Other comments

We would expect that ASAF should operate transparently in the same way as the rest of the Foundation.

We note that currently the Foundation has the following advisory bodies

- (a) IFRS Advisory Council
- (b) Capital Markets Advisory Committee
- (c) Emerging Economies Group
- (d) Global Preparers Forum
- (e) SME Implementation Group
- (f) Working Groups, WGs (currently there are 7 WGs – on Financial Instruments, Leases, Financial Institution Advisory Group on Financial

Statement Presentation, Insurance, Employee Benefits, Joint
International Group on Financial Statement Presentation and
Valuation Expert Group)

If the working groups on specific topics are excluded for these purposes, but the existing informal arrangements for consultation with regulators continue and ASAF is developed, then there would seem to be considerable overlap between these groups and the IFRS Advisory Council (SAC). The role and necessity for that council needs to be considered and whether there are significant interests (for example the accountancy profession) that are not otherwise represented and for whom perhaps a new advisory group should be set up. We recognise that the objectives of ASAF is largely to progress the technical development of the IFRS, while the SAC might be perceived to be more strategic issues and the agenda, however in our experience this distinction can be difficult to maintain.