



*FAR is the institute for the accountancy profession in Sweden*

**CL 7**

9 August 2005

International Accounting Standards Board  
Att. Warren McGregor  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

## **Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB**

Dear Sir,

FAR, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the Draft Memorandum of Understanding.

We welcome IASB's initiative and ambitions to develop local national commitment in the standard setting process and its strive to achieve consistent application of IFRS world wide. However, we are not convinced that all national standard-setters will have the means and incentives necessary to accomplish the goals set out in the draft proposal. We propose that IASB strengthen its own resources and current processes to better exploit comments received from different constituents. The communication should be more interactive and two-way directed. Please find our comments in detail below.

### **1 Background**

We agree with the drafted comments in paragraph 1.

### **2 Working with regulators**

Financial reporting in many jurisdictions is linked to other forms of regulation (2.1). The concept "standard-setter" (1.1) is not defined, but does not include national legislation and regulation. We suggest that this memorandum should also address national regulators and legislators to take an active part in achieving the goals of the memorandum.

We agree that the accounting standard-setter should take the prime responsibility for identifying domestic regulatory barriers. However, we find it difficult, and have hard to understand how it will work in practice, to have a non public entity, like an accounting standard-setter, to take the prime responsibility for dealing with domestic regulatory barriers (2.3), and encourage national and regional regulators to participate in international convergence efforts (2.4).

## **Communication**

- Resourcing of the national standard-setters: The memorandum implies that the accounting standard-setters must create and sustain an extensive organisation in order to fulfil all the requirements, for instance;
  - Collect information, and forward that to the IASB, from government agencies, politicians and other who are engaged in non-technical debates (3.20),
  - Organise round-tables discussions (3.21)
- We believe that the standard-setters may lack incentives and resources to accept that responsibility. The constituents would also hesitate on engaging in such activities as the national standard-setters are not legitimate counterparties with power to oblige the standard-setting requests of the constituents. The standard-setters would just act as communicators.
- We support the establishment of a database of accounting issues (3.7). In paragraph 3.8 the purpose of communication among standard-setters appears to be limited to refine issues before they reach the IASB and the IFRIC for consideration. We would suggest a database with access for a wider group of constituents.
- We agree that provision of sufficient time is important for constituents to become more active (3.9). However, we are not convinced that constituents would prefer to address their comments to national standard-setters instead of commenting directly to the IASB or the IFRIC. Why should the constituents let the national standard-setter amend their comments before forwarding joint comment to the IASB or the IFRIC?
- We believe that national standard setters should have access to information from IASB at an earlier stage in the standard-setting process including also non-public information (3.12). This would encourage the national standard-setters to become more active and demonstrate mutual trust and sharing of accounting issues.

## **4 Project role**

We would welcome the opportunity for national standard-setters to get direct involved in the IASB's projects, but we have concerns on how to find an efficient model of recruitment on a wider basis.

## **5 Comment role on IASB consultative documents**

We agree with the drafted comments in paragraph 5.

## **6 Application of standards**

We agree and stress the need for sufficient lead time on implementation, allowing possibly also for endorsement within the EU or adoption of local legislation.

**7 Interpretations**

We agree with the drafted comments in paragraph 7.

**8 Education**

We do not believe a standard-setter's role and responsibility should include giving training on IFRS.

Yours sincerely,

Jan Buisman  
Chairman Accounting Practices Committee

Dan Brännström  
Secretary General