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June 25, 2004

Andrea Pryde
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Ms. Pryde:

Microsoft appreciates the opportunity to respond to the IASB consultation paper, *Strengthening the IASB's Deliberative Process*. As indicated in our August 7, 2002 letter to Sir David Tweedie, Microsoft is a strong supporter of a single set of global accounting standards and desires to become more involved in the international accounting standards setting process. Following are our thoughts on the improvements being implemented or proposed in the paper.

Accessibility and Transparency of the IASB's Deliberative Process

We commend the IASB for expanding its observer notes for meetings and find them to be extremely useful. While Board memos are appropriately kept private, we find the observer notes quite helpful in following Board members' conversations when they are referencing items in private Board memos.

We also agree with the IASB's decision to change its policy and make comment letters available on its Website as soon as they are received and scanned. While admittedly and blatantly a self serving comment, we would recommend that comment letters received in Word format be posted immediately to the Website in that format. This would eliminate the delay in scanning the comment letters into .pdf format and also make downloading the comment letters more efficient. On a related note, we find the IASB's Website extremely difficult to navigate and suggest the IASB staff spend some time with the FASB on their Web design, which is very easy to navigate.

IASB's Responsiveness to Constituents' Comments

We agree with the IASB's policy not to respond to each comment letter individually, as this would be impossible from a practical standpoint, and applaud the IASB's decision to post on its

Website a summary of the Board's position on the major points raised in the letters. It is imperative that this summary be as detailed as possible in order for those commenting to be satisfied that their comments were considered.

While we believe project summaries should contain a robust and detailed discussion of decisions made, we do not agree with the recent decision to make available near-final drafts of forthcoming exposure drafts and standards on the IASB's Website before the Board approves them for publication. Rather, we believe it would be more efficient to use existing advisory groups or an appropriate expert group to discuss fatal flaws and drafting issues in near-final drafts and standards. Exposure drafts and standards should only be released to the Website after the Board approves them for publication.

Extent of Consultation before Releasing Proposals and Standards

Microsoft strongly encourages the use of public hearings, field visits and field testing, and believes the IASB should show a stronger commitment to using these important due process procedures. We note that the paper indicates that, “. . . it *is likely* that public hearings and especially field visits will become a more common feature of its work.” [Emphasis added.] This is in contrast to the wording that, “The IASB *will* make greater use of discussion papers in the future . . .” [Emphasis added.]

We also believe the IASB should make extensive use of steering committees, working parties and advisory groups. The recent IASB/FASB/ASB invitation for nominations for an international advisory group on reporting financial performance/comprehensive income is a good process for soliciting this type of participation from constituents. With respect to the issue of re-exposure, we found the wording in the paper to be quite vague and would recommend that the IASB establish a framework to use as a guide when deciding if re-exposure is necessary.

If you have any questions, please contact me at (425) 703-6094.

Sincerely,

Bob Laux
Director, Technical Accounting and Reporting