

## Comments on “Strengthening the IASB’s Deliberative Processes”

June 24, 2004

Sub-committee on Accounting

Committee on Economic Law

Nippon Keidanren

(Japan Business Federation)

Nippon Keidanren has expressed its concerns about the due process of the International Accounting Standards Board (IASB). Accordingly, we welcome the IASB’s decision to undertake an internal review on its deliberative procedures in response to comments on the Constitution, and we appreciate an opportunity to set forth the voice of the Japanese business community during this period of public comment. We urge the IASB to consider our recommendations; doing so will earn it the confidence of international society and make its deliberative process more structured and transparent.

### ? **The IASB’s responsiveness to constituents’ comments**

#### ? ) *Response to comment letters*

16 If the IASB reviews only those comments which coincide with its positions, the process will lack transparency. Although we understand that limited staff resources and time make a comprehensive response difficult, we believe that the IASB should – at the very least – sort all comment letters into groups by subject and release them, along with the summary of the Board’s decision and explanation, in the course of its deliberative process.

#### ? ) *Publication on the IASB’s Website of latest proposals for new standards*

19.20 In addition modifying specific text, changes in technical issues should also be part of the amendment process between the time a draft is circulated and the final text is published. The IASB should establish a framework in which it will consider all the comments received from concerned parties and explain publicly the reasons for deciding not to adopt certain opinions.

#### ? ) **The IASB Decisions on Change in an Accounting Policy**

The IASB needs to assess the potential economic impact of a change in accounting policy. All the stakeholders should be made aware of the potential impacts that the introduction of a new or revised requirement may have before the implementation.

## ? **The extent of consultation before releasing proposals and standards**

### ? ) *Use of steering committees/working parties/advisory groups*

23 The selection process and the composition of advisory groups and expert groups should be clarified in advance. In addition, it is necessary to establish operational rules of the advisory groups. All the decisions must be made upon consultation with the Trustees in advance.

### ? ) *Public hearings and field-testing*

25 Holding public hearings and conducting field visits should be written in the Constitution as a regular feature of the IASB's due process. In order to obtain useful input from field visits, we suggest that the IASB release relevant materials well in advance. The results of field visits should be published in full, and the IASB is required to deal with opinions that were received during the visit in an appropriate manner.

### ? ) *Discussion Papers*

27 As reflected in paragraph no. 28, page 7 of the consultation paper, the IASB discusses very important issues including topics which requires a major shift from existing international or national practice. Keidanren believes that discussion papers are the best way for the IASB to solicit useful comments from concerned parties at an early stage. In this respect, discussion papers should be published before issuing drafts of all projects.

### ? ) *Re-exposure of proposals*

30 The definition of 'substantial change,' which might be used as the potential grounds for a decision to revisit proposals, is unclear. The IASB should re-circulate all proposals that have recommended changes and provide appropriate comment periods.

## ? **Others**

### ? ) *Sunset review*

Detailed procedures regarding the sunset review are unclear – the process should be explicitly written in the Constitution. The review should not be conducted by IASB members, but instead by a third party, including the Trustees.

### ? ) *Publication of a handbook*

Keidanren supports the idea that the IASB publish a handbook of operating procedures

related to due process (upon approval by the Trustees), and that the Trustees review the handbook annually.

**? )*Oversight of the due process***

Keidanren favors giving Trustees oversight as to whether the IASB has followed the procedures written in the Constitution and to release the results.

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