



**Australian Government**  
**Australian Accounting  
Standards Board**

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23 November 2010

Mr Tommaso Padoa-Schiappa  
Chairman  
Trustees of IFRS Foundation  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom

Dear Tommaso

**IFRS Foundation Consultation Document**

***The annual improvements process: Proposals to amend the Due Process Handbook for the IASB***

The Australian Accounting Standards Board (AASB) is pleased to provide its comments on IFRS Foundation's Consultation Document *The annual improvements process: Proposals to amend the Due Process Handbook for the IASB*.

The AASB supports the proposals in the Consultation Document and considers the proposals generally sufficient and appropriate for assisting the IASB and interested parties in making assessments about the appropriateness of amendments to IFRSs for inclusion in annual improvements.

In finalising the proposed criteria the AASB recommends that the IFRS Foundation consider the comments set out below that may improve the clarity and consistency of the proposed criteria.

**Consideration of 'non-urgent but necessary' as part of criteria**

The introduction and invitation to comment section in the Consultation Document refers to 'non-urgent but necessary'. The reference to 'non-urgent but necessary' suggests that this is an important criterion in assessing whether an issue should be considered as part of the annual improvement process. However, reference to 'non-urgent but necessary' has not been included in the proposed criteria in the Consultation Document. The AASB considers the reference to 'non-urgent but necessary' a useful explanation of the type of amendments that are likely to be considered as part of the annual improvements process and therefore recommend that it is explicitly incorporated in the criteria in the *Due Process Handbook for the IASB*.

**Clarification of terminology used**

The AASB questions whether paragraph 65A(b) should refer to a 'narrow and well-defined purpose' or a 'narrow and well-defined issue'. The AASB considers a proposed

amendment within an annual improvements project should address an issue that is narrow and well-defined rather than a purpose that is well defined, and the AASB recommends the wording of the criteria be amended to reflect this. The AASB is also concerned that the link between the first and second sentence of paragraph 65A(b) is not clear and the second sentence does not clearly explain what is meant by ‘narrow and well-defined’. The AASB recommends that the second sentence of paragraph 65A(b) be removed or rephrased to better explain what is meant by ‘narrow and well-defined’.

### **Relevance of annual improvements criteria to the other stages in the standard-setting process**

The Consultation Document suggests that the proposed draft amendments will be included in ‘Stage 2: Project planning’ of the standard-setting process in the *Due Process Handbook for the IASB*. The AASB questions why the inclusion of the proposed annual improvements process criteria have only been considered in the planning stage of the standard-setting process. The AASB considers the annual improvements process and criteria also affect the development and publication of an exposure draft (stage 4), the development and publication of amendments to IFRSs (stage 5) and the procedures after an IFRS is issued (stage 6). There is no clear link between the annual improvements process and the stages of the standard-setting process in the *Due Process Handbook for the IASB*. The lack of guidance in this regard may create confusion about the process that should be followed once the annual improvements criteria have been satisfied.

The AASB recommends that the *Due Process Handbook for the IASB* describe how the annual improvements process impacts other stages of the standard-setting process. For example, paragraph 65B of the Consultation Document could be expanded to explain that, in the process of developing and publicising an exposure draft for annual improvements, paragraphs 38-44 of the *Due Process Handbook for the IASB* should be followed. Similar guidance could also be included for the other stages of the standard-setting process that may be impacted by the annual improvements process.

AASB staff have some other comments on the proposed criteria in IFRS Foundation Consultation Document and some editorial comments on the *Due Process Handbook for the IASB* that are set out in Appendix A.

If you have any queries regarding any matters in this submission, please contact me or Mischa Ginns ([mginns@aasb.gov.au](mailto:mginns@aasb.gov.au)).

Yours sincerely



Kevin M. Stevenson  
Chairman and CEO

## **APPENDIX A**

### **AASB Staff's Comments on the Proposed Criteria in the IFRS Foundation Consultation Document and Editorial Comments on *Due Process Handbook for the IASB***

#### **Other comments**

In finalising the proposed criteria in the Consultation Document, the AASB staff recommend that the IFRS Foundation consider the comments set out below.

#### ***Clarification of terminology***

It is not clear whether the references to “resolving a conflict” and “addressing an oversight” in paragraph 65A(a)(ii) includes all conflicts and oversights or only minor ones. AASB staff think that major conflicts and oversights may be beyond the scope of a correction that does not propose a new principle or change an existing principle.

AASB staff are also concerned that “creating an exception from an existing principle” in paragraph 65A(a) could imply a change in accounting principle.

#### **Editorial Comments**

In updating the *Due Process Handbook for the IASB*, the AASB staff recommend that the IFRS Foundation consider the editorial comments set out below.

<b>Paragraphs</b>	<b>Comments</b>
10, 22, 51, 53, 74, 78, 82, 111, 13, 19, 20 and 53	AASB staff recommend that the references to ‘the IFRIC’ be replaced with ‘the IFRS Interpretations Committee’.
16	AASB staff recommend that the word ‘below’ in “(see paragraphs 112-114 below)” be removed to be consistent with paragraph 17, 28, 29, 33, 34.
21 and 55	Paragraph 55 is a duplicate of paragraph 21. AASB staff do not consider it necessary to repeat this paragraph and therefore recommend that one of these paragraphs be deleted.

Paragraphs	Comments
All	<p>The punctuation throughout the Handbook is inconsistent. For example, in the main body of the Handbook there are full stops at the end many bullet points whereas in the Appendices, semi-colons are used after each bullet point, commas after each sub-bullet point and ‘and’ at the end of the second last point.</p> <p>AASB staff recommend that the punctuation be updated and applied consistently throughout the Handbook.</p>