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Our ref  
Contact

MT/288  
Mary Tokar

1 December 2010

Dear Sirs

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

We appreciate the opportunity to comment on the IFRS Foundation's Consultation Document *The annual improvements process: Proposals to amend the Due Process Handbook for the IASB*. We have consulted within the KPMG network in respect of this letter, which represents the views of the KPMG network.

We support the IFRS Foundation's objective of amending the IASB Due Process Handbook so as to provide criteria to assist both the IASB and interested parties to determine whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process (AIP).

Overall we have found the AIP to be a useful tool to address issues raised regarding IFRSs. We support the decision to move the primary responsibility for AIPs to the IASB's Interpretation Committee as often an AIP is preferable in terms of resolving conflicts within IFRSs or providing clarity regarding principles. Now that the transition of the lead responsibility for AIPs to the Interpretation Committee is complete, we encourage the IASB to avoid redeliberating details of the AIPs but rather to focus on approval or rejection in the same ways that Interpretations are handled.

In light of the transfer of lead responsibility for AIPs to the Interpretation Committee we suggest that references to "IASB" in the proposed paragraphs 27A, 65A (twice) and 65B be changed to "the Interpretation Committee."

We believe that it is important for the credibility of the IASB and the AIP process that proposed amendments do not change (delete, revise or override) existing principles, as discussed in proposed paragraph 65A(ii). We suggest that the sentence at the end of proposed paragraph 65A(ii) be amended to read "... but may create an exception from an existing principle when such an exception reflects the IASB's intent in finalising the standard being amended by the AIP." [suggested addition underlined]

We believe that the proposed four criteria within proposed paragraph 65A will provide a sufficient and appropriate basis for assessing whether a matter relating to the clarification or



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correction of IFRSs should be addressed using the AIP. We expect that the biggest driver of the effectiveness of these criteria will be the faithful application of these criteria rather than their exact wording.

As noted above, we believe that the AIP process is a useful addition to the Interpretation Committee's range of possible responses to issues raised. In our experience the batch processing of these limited amendments is an effective way to reduce the disruption caused by ongoing 'repair and maintenance' changes. We hope that in the not too distant future it will be possible to move to a cycle of starting every two years rather than annually, especially once the IASB's current high level of activity, with many standards being revised concurrently, reduces and there is more 'beginning to end' consideration of issues. Our hope is that this will reduce the instance of issues being generated that require AIP-type amendments.

Please contact Mary Tokar or Andrew Vials at +44 (0)20 7694 8871 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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