



MALAYSIAN ACCOUNTING STANDARDS BOARD  
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

31 March 2009

Mr Gerrit Zalm  
Chairman  
International Accounting Standards Committee Foundation (IASCF)  
30 Cannon Street  
London ED 4M 6 XH  
United Kingdom

Dear Mr Zalm

**IASCF Review of the Constitution – Identifying Issues for Part 2 of the Review**

We applaud the initiative taken by the IASCF to continually assess the appropriateness and relevance of the existing IASCF's Constitution. In this regard, we appreciate the opportunity to provide comments to the IASCF on discussion document Review of the Constitution – Identifying Issues for Part 2 of the Review.

In view of our commitment to converge with IFRS by 2012, we are particularly conscious of the need to provide assurances to our local stakeholders about the governance structure and the operating procedures of the IASCF and the IASB.

Append below our detailed comments to the questions raised in the discussion document and we hope that you will find the comments useful in your deliberation.

If you need further clarification, please contact the undersigned at +603 2240 9200 or email at [beeleng@masb.org.my](mailto:beeleng@masb.org.my).

Thank you.

Yours sincerely,



Tan Bee Leng  
Technical Director

## Objectives of IASCF

1. Does the emphasis on helping 'participants in the world's capital markets and other users make economic decisions', with the consideration of 'special needs of small and medium-sized entities and emerging economies', remain appropriate?

***Yes, we believe it is appropriate to maintain in the IASCF objectives to require the IASB to take into account special needs of small and medium-sized entities and emerging economies in the development of accounting standards. This objective is vital in view of the fact that many emerging economies are adopting / converging with IFRSs.***

***It will also be helpful if there is representation from the emerging markets in the IASB as to assist other members of the Board to understand and determine the special needs of these markets. This will ensure the Standards it develops are practical and workable in not just the developed countries but the emerging markets as well.***

2. In the opinion of the Trustees, the commitment to drafting standards based upon clear principles remains vitally important and should be enshrined in the Constitution. Should the Constitution make specific reference to the emphasis on a principle-based approach?

***We believe accounting standards should be drafted based upon clear principles. We support the IASCF to enshrine this commitment in the Constitution.***

3. The Constitution and the IASB's *Framework* place priority on developing financial reporting standards for listed companies. During the previous review of the Constitution some commentators recommended that the IASB should develop financial reporting standards for not-for-profit entities and the public sector. The Trustees and the IASB have limited their focus primarily to financial reporting by private sector companies, partly because of the need to set clear priorities in the early years of the organisation. The Trustees would appreciate views on this point and indeed whether the IASB should extend its remit beyond the current focus of the organisation.

***IASB should not extend its remit beyond the current focus of the organization since the International Public Sector Accounting Standards Board (IPSASB) is already the well respected accounting standard-setter for the public sector.***

***The reporting needs for the private sector and the public sector are different, and we suggest IPSASB should continue to develop accounting standards for the public sector.***

- 4 There are other organisations that establish standards that are either based upon or have a close relationship with IFRSs. The IASC Foundation already recognises the need to have close collaboration with accounting standard-setting bodies. Should the Constitution be amended to allow for the possibility of closer collaboration with a wider range of organisations, whose objectives are compatible with the IASC Foundation's objectives? If so, should there be any defined limitations?

***No, there is no necessity to amend the Constitution as currently, the Constitution already requires the IASB to establish and maintain liaison with official bodies other than standard-setters to promote convergence of national accounting standards and IFRSs.***

### **Governance of IASCF**

- 5 The first part of the review of the Constitution proposed the establishment a formal link to a Monitoring Group. Under this arrangement, the governance of the organisation would still primarily rest with the Trustees. Although the first part of the review has not yet been completed, the Trustees would welcome views on whether the language of Section 3 should be modified to reflect more accurately the creation of the Monitoring Group and its proposed role.

***We believe the language of Section 3 should be modified to reflect more accurately the creation of the Monitoring Group and its proposed role.***

### **Trustees**

- 6 The Trustees are appointed according to a largely fixed geographical distribution. Is such a fixed distribution appropriate, or does the current distribution need review?

***We believe the fixed geographical distribution is appropriate.***

- 7 Sections 13 and 15 set out the responsibilities of the Trustees. The intention of these provisions is to protect the independence of the standard-setting process while ensuring sufficient due process and consultation - the fundamental operating principle of the organisation. In addition to these constitutional provisions, the Trustees have taken steps to enhance their oversight function over the IASB and other IASC Foundation activities. The Trustees would welcome comments on Sections 13 and 15, and more generally on the effectiveness of their oversight activities.

***We believe the responsibilities of the Trustees set out in Sections 13 and 15 are appropriate.***

- 8 The Trustees are responsible for ensuring the financing of the IASC Foundation and the IASB. Since the completion of the previous review of the Constitution, the Trustees have made progress towards the establishment of a broad-based funding system that helps to ensure the independence and sustainability of the standard-setting process.

(For an update on the funding status, see <http://www.iasb.org/About+Us/About+the+IASC+Foundation/Funding.htm>)

However, the Trustees have no authority to impose a funding system on users of IFRSs. The Trustees would welcome comments on the progress and the future of the organisation's financing.

***The IASCF should seek funding from developed countries that have converged or are converging with IFRSs.***

### **International Accounting Standards Board**

- 9 Commentators have raised issues related to the IASB's agenda-setting process. The Constitution gives the IASB 'full discretion in developing and pursuing its technical agenda'. The Trustees have regularly reaffirmed that position as an essential element of preserving the independence of the standard-setting process. However, they would welcome views on the IASB's agenda-setting process and would appreciate it if, in setting out views, respondents would discuss any potential impact on the IASB's independence.

***We support that the IASB to be given full discretion in developing and pursuing its technical agenda but subject to the consideration by the IASB with regard to accounting matters referred to it by the Monitoring Board.***

- 10 The Constitution describes the principles and elements of required due process for the IASB. The IASB's procedures are set out in more detail in the *IASB Due Process Handbook*. If respondents do not believe the procedures laid out in the Constitution are sufficient, what should be added? If respondents believe that the procedures require too much time, what part of the existing procedures should be shortened or eliminated? The Trustees would also welcome comments on recent enhancements in the IASB's due process (such as post-implementation reviews, feedback statements, and effect analyses) and on the *IASB Due Process Handbook*.

***We believe the IASB's due process procedures are sufficient.***

- 11 Should a separate 'fast track' procedure be created for changes in IFRSs in cases of great urgency? What elements should be part of a 'fast track' procedure?

***There should always be some form of minimum due process even in cases of great urgency to change the IFRSs. Therefore, we support the creation of a 'fast track' procedure only if stakeholders are given reasonable period of time the opportunity to provide comment.***

#### **Standards Advisory Council**

- 12 Are the current procedures and composition, in terms of numbers and professional backgrounds, of the Standards Advisory Council (SAC) satisfactory? Is the SAC able to accomplish its objectives as defined in Section 38?

***The current procedures and composition, in terms of numbers and professional backgrounds, of the SAC are satisfactory and would be able to accomplish its objectives as defined in Section 38.***

- 13 Attached to this discussion document are the terms of reference for the SAC, which describe the procedures in greater detail. Are there elements of the terms of reference that should be changed?

***No. The present terms of reference for the SAC are sufficient.***

#### **Other issues**

- 14 Should the Trustees consider any other issues as part of this stage of their review of the Constitution?

***We are not aware of any other issues.***