

Mr Thomas Seidenstein

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International Accounting Standards Committee Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Draft Due Process Handbook for the IFRIC

FAR SRS, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the Draft Due Process Handbook for the IFRIC.

FAR SRS supports the proposal that the primary role of the IFRIC is to apply a principle-based approach in interpreting IFRS. FAR SRS therefore supports the position taken in paragraphs 6 – 8 of the draft Handbook and agrees that IFRIC should look to develop principle-based interpretations and not seek to create an extensive rule-oriented environment in providing “interpretive guidance”.

One of the mechanisms through which the IFRIC may eliminate diversity in practice is through clarification of the current requirements of IFRSs provided in commentary in Agenda Committee decisions published in IFRIC Update. In our experience, the clarifications of the current requirements of IFRSs provided in Agenda decisions are often useful for constituents when considering the appropriate application of IFRSs which also support the elimination of diversity in practise. FAR SRS supports the proposal in paragraph 30 of the Draft Handbook that Agenda decisions “do not form part of IFRSs”. The Agenda Committee decisions are currently not subject to the same level of due process as Interpretations. The authority of the Agenda decisions within the hierarchy of IAS 8 should also be investigated in view of the endorsement requirements of the European Union.

FAR SRS is concerned in respect of the length of time it is generally taking IFRIC to consider issues that have been submitted and issue interpretations. FAR SRS believes that IFRIC should consider how it can streamline its processes to look to optimise the time taken from receiving a request to address an issue, agreeing to take it on to its agenda and then to finalising its interpretation. FAR SRS recommends that IFRIC takes a wide ranging fact finding approach at the initial research phase. Publicising the issue and inviting comments before Agenda committee discussions is another possible avenue to speed up the process.

FAR SRS is concerned about the high number of issues being rejected by IFRIC, often without proper explanations of why the Agenda Committee believes the requirements of IFRS are obvious. FAR SRS urges the IASC Foundation to make the process of the Agenda Committee more transparent. All significant meetings should be held in public or webcasted, lists of current issues and their status in the process should be published regularly and the rationale of all rejections of issues should be clearly stated.

Finally, FAR SRS is concerned regarding the present process for selecting and nominating members of the Agenda Committee (paragraph 22). FAR SRS believes that the nomination and selection process of the Agenda Committee would benefit from making it public.

Yours sincerely,

Jan Buisman

Chairman FAR SRS' Accounting Practices Committee

Question 1 – Agenda Committee

The Agenda Committee assists the IASB staff in presenting issues to the IFRIC so that the IFRIC can decide whether to add an issue to its agenda (paragraph 23). The Agenda Committee is not a decision-making body and does not meet in public (paragraph 26). The Agenda Committee reports to the IFRIC at its regular meetings on the issues the Agenda Committee considered and the Agenda Committee's recommendation on each issue (paragraph 27).

Do you agree with the Agenda Committee process described in paragraphs 23–27? If not, what changes do you propose, and why?

The Agenda Committee members play an important role in recommending to the IFRIC whether an issue is added to the agenda. The IFRIC considers the recommendation of the Agenda Committee in deciding whether to add the issue to its agenda. FAR SRS suggests that there should be a more robust discussion by the IFRIC of recommendations put forward by the Agenda Committee to challenge the views of the Agenda Committee. This would help to ensure that a wider variety of views are taken into account when deciding whether to add an item to the agenda. FAR SRS has concerns regarding the fact that the draft Handbook is not clear on the issue of transparency with regard to the status of issues referred to the IFRIC. FAR SRS believes that IFRIC should publish regularly the details of the referred issues and any progress related to the decision making process.

FAR SRS also suggests that steps should be taken to open up the discussions which take place in the Agenda Committee. This would include widening or diversifying the membership of the Agenda to ensure that a wide variety of views are taken into account when the Agenda Committee agrees on its recommendation to IFRIC. We would also propose that the Agenda Committee's process should be more open to the public to allow interested parties to be aware of how the Agenda Committee is addressing its issues. This would help to ensure that a wider variety of views are taken into account when deciding whether to add an item to the agenda and raise constituents' confidence in the work of the Agenda Committee.

Question 2 – Agenda criteria

The IFRIC assesses proposed agenda items against the criteria listed in paragraph 28. For inclusion in the agenda an issue does not have to satisfy all the criteria.

Do you agree with the agenda criteria listed in paragraph 28? If not, please specify the criteria you would add, alter or delete, and explain why.

FAR SRS agrees.

However, FAR SRS believes the IFRIC should impose stricter project timetables on itself to identify issues and progress to conclusions rather than allow matters to remain on the agenda for a considerable period of time. FAR SRS believes that it will be possible for the IFRIC to maintain this timetable as long as the appropriate resources are allocated to the project and a principles-based approach is taken to address the issues present. If necessary, consideration should be given for additional meetings of the IFRIC.

Question 3 – Consultation regarding issues not added on the IFRIC agenda

A consultative period applies to issues that are not added to the agenda. The draft reason for not adding an item to the agenda is published in IFRIC Update and electronically on the IASB Website with a comment period of about 30 days.

Do you agree with the consultative process for issues that are not added to the IFRIC agenda? If not, what changes do you propose, and why?

FAR SRS believes that the IFRIC should be requested to provide further clarification of the reasons for rejection so that it can be clear as to whether a change in a group's accounts as a result of adopting the IFRIC interpretation should be considered to be an error or a voluntary change in accounting policy.

Question 4 – Relationship with national standard-setters and interpretative groups

The IFRIC's relationship with national standard-setters (NSSs) and interpretative groups (NIGs) is described in paragraphs 54 and 55.

(a) Do you agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC? If not, why not?

(b) Do you agree that the IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs? If you disagree, please explain why.

(a) Yes, FAR SRS agrees.

(b) No. It is FAR SRS' preference not to have interpretations issued by NSSs and NIGs because of the risk of developing national varieties of IFRS. However, for issues that focus on how IFRSs should be applied to a particular national business practice, there might be a need for national interpretations. Ideally, in order to avoid the risks arising from conflicting or overlapping interpretations, it would be beneficial to have any such work at a national level coordinated and cleared through the IFRIC.

Other comments

Paragraph 43 – FAR SRS suggests that the staff summary should be made public; this would make it a lot easier for constituents to understand the reasons behind IFRIC's decision not to add an issue to the agenda.

Paragraph 3 – The draft does not include any guidance on how the Trustees' Procedure Committee is supposed to function. FAR SRS believes that also this committee's work procedures etc. should be regulated.

Paragraph 11 – FAR SRS questions whether it is necessary to include that "it is expected" that members of the IFRIC will be appointed for more than one term; this follows from p 33 of the Constitution.

Appendix B – Draft Amendments to the Preface to International Financial Reporting Standards

Paragraph 19 (b) – FAR SRS does not see the rationale for deleting the involvement of national standard-setters (NSSs) in the interpretation process from this paragraph.