



**COMMENTS ON DRAFT OF
MEMORANDUM OF UNDERSTANDING ON THE ROLE OF ACCOUNTING
STANDARD SETTERS AND THEIR RELATIONSHIPS WITH THE IASB**

General Comments

1. Accounting Standard Setter
Some countries may have several Accounting Standard Setter with their distinct authorities and responsibilities. It is important to define the Accounting Standard Setter in the context of the proposed MoU considering the range of its authority and responsibility in each country.
2. Existing contractual agreements
The Accounting Standard Setter probably have contractual agreement with other institutions which may have similar aspects to those stipulated in the proposed MoU.
The proposed MoU, accordingly, should consider any contractual agreement between the Accounting Standard Setters and these institutions which is currently effective and has potential impacts on the proposed MoU.
3. The proposed MoU should conduct more clearly guidance about what steps should be taken by Accounting Standard Setter in convergence with IFRS if there is any contradictions to Accounting national regulation.
4. IASB should have responsibilities to give enough technical assistance to all Accounting Standard Setter in order to standardize the capability of each accounting standard setter.
5. IASB also concern to improve the accounting standard for:
 - a. Small and Medium Enterprises
 - b. Not for Profit Organization
 - c. Islamic Accounting Standards
6. IASB should be more sensitive in accommodate the needs of accounting standards for developing countries (such as the countries that have no capital market).

Comments on Each Paragraph

1. MoU Format
Paragraph 1.2 page 3, state that “The responsibilities are highlighted in ***bold italic*** at the end of each section (and are also listed in an Appendix). etc ...”

Putting the responsibilities in the paragraph as well as in the end of each section is only making duplication without adding distinct value. Moreover, it creates ambiguity to readers.

Eliminating the responsibilities paragraph at the end of each section, while still highlighting the responsibilities, might be done by highlighting the responsibilities sentences in the related paragraph.

For example combining paragraph 2.1 and paragraph 2.3 as follow:

*“2.1 Financial reporting regulation in many jurisdictions is linked to other forms of regulation. For example, accounting standards may be given legal status under legislation that also sets out a broad framework for financial reporting. It is important that **accounting standard-setters, not IASB, identify and deal with any domestic regulatory barriers to adopting or converging with IFRSs, such as legislative impediments. In many cases, this will require the co-operation of domestic regulators (including relevant legislators).**”*

The same idea is applied consistently to the similar paragraph such as the following:

- Paragraph 2.2 and 2.4
- Paragraph 5.1 and 5.4
- Paragraph 6.2 and 6.6
- Paragraph 6.3 and 6.7
- Paragraph 7.1, 7.2 and 7.6
- Paragraph 7.5 and 7.8
- Paragraph 8.1 and 8.4, 8.5
- Paragraph 8.2 and 8.6 etc

2. Paragraph 3.1.

A paragraph (paragraph 3.1) is not directly related to the preceding or following paragraph:

“3.1 Because of the large number and wide variety of the IASB’s constituents, the IASB is likely to have difficulty in communicating fully with all of its relevant constituencies”.

This paragraph should be broken down into three paragraph or parts. First, a preceding paragraph states the importance or purpose of establishing a communication between IASB and its constituents and it is the responsibility of IASB to set up this communication. Second, a paragraph explains any situation which likely causes IASB to have difficult in communicating fully with all of its relevant constituencies. Finally, any alternative procedure to overcome that problem may arise.

3. Paragraph 6.7: Application of Standard

In some countries, Accounting Standard Setters may find it difficult to fully adopt all the aspects stipulated in IFRSs due to the unique law or regulations currently effected in those countries. The proposed MoU should allow the Accounting Standard Setters make some modification in adopting those IFRSs.

We would expect that there would be cases where accounting standard-setters have to amend IFRSs that result in the deletion of certain requirements that cannot be met in their own jurisdictions for valid reasons (e.g. unjustified cost or other local circumstances). We believe that the IASB needs to consider seeking for alternative

ways or solutions that can allow the related constituents to still make an unreserved statement of compliance with IFRSs.

4. Missing paragraph

Paragraph 7.3 is missing or just error in numbering the paragraph.

5. Paragraph 7.7

There needs to be a clarification as to what the IASB's role would be to help ensure that an interpretation issued by a standard-setter on its own will be compatible with IFRSs.

6. Paragraph 7.8

It would be helpful if the IASB could elaborate the general nature and extent of the explanation that they may give in response to issues brought forward by accounting standard-setters that the IASB decided not to address, and how it could facilitate a resolution to those issues.

7. Paragraph 8.4

It is not entirely clear as to what is meant by "sensitive" in paragraph 8.4. As education is essential to promoting the use and rigorous application of IFRSs, we would expect a more active role of the IASB in this aspect.

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M. Jusuf Wibisana
Chairman