

July 28, 2005

Warren McGregor  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB – invitation to comment**

Dear Mr. McGregor,

Siemens Aktiengesellschaft very much appreciates the opportunity to comment on the Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB (MoU).

We are a stock corporation organized in the Federal Republic of Germany and employed an average of 419,200 people in approximately 190 countries worldwide during fiscal 2004. As a first-time adopter of IFRS we have a keen interest in the debate on achieving high-quality, global accounting standards and convergence in the capital markets. This letter outlines our views concerning the main issues of the draft memorandum.

From an overall perspective we would like to recommend to include a definition of the term "Accounting Standard-Setter". In this context, especially the responsibilities of the European Financial Reporting Advisory Group (EFRAG) - playing a pivotal role within the endorsement process of IFRS in Europe – should be defined in the MoU.

Please find our specific comments set out as follows:

**Communication**

We are of the opinion that the proposed responsibilities would be an adequate basis for an effective communication. Taking into account the impression that within the Board the members with an Anglo-Saxon accounting background are currently overrepresented, it is important to emphasize in the MoU the duty of the IASB to ensure that no geographical interest dominates the communication between standard-setters and the Board.

We agree that national standard-setters are one of the key channels for information on technical and non-technical issues flowing to the IASB. However, we would like to stress that this principle should not prevent or replace the direct communication between the Board and individuals or organizations other than standard-setters, particularly users and preparers.

**Project role**

Siemens supports a better involvement of national standard-setters in research projects and project teams of the IASB.

Generally, we are of the opinion that the IASB should have the lead in these projects and all standard-setters should have the same influence and responsibilities as defined in the MoU. However, in terms of the ongoing process of convergence between IFRS and US-GAAP it may be beneficial to have project groups working under the (co-)direction of the FASB provided that it is assured that European views and concerns are considered already within the respective projects before the due process starts and certainly before endorsement is considered.

## **Comment role in IASB consultative documents**

We agree that timely comments on consultative documents provided by other standard-setters are a valuable source for the due process.

Having in mind that the problems with the (non-)endorsement of IAS 39 and IFRIC 3 in Europe were not caused by delayed comments we urge to include within the MoU a clear definition of the duty of the IASB to guarantee a balanced and transparent due process considering all comments received.

## **Application of standards**

Siemens agrees with the proposed responsibility of the IASB to provide a reasonable time for other standard-setters to process the IFRS in their local regulatory framework.

However, we object adding disclosure requirements or especially removing optional treatments by standard-setters since this would cause an additional burden if the IASB, according to its intention, removes optional treatments which are defined by national standard-setters as local requirements. Further, this possibility may also counteract the main objective of developing a single set of high quality global accounting standards outlined in the IASCF Constitution.

## **Interpretation**

We welcome the proposed duty of the IASB and the IFRIC to provide explanations in case of not addressing an issue as an important step to improve transparency in the interpretation process.

Due to the ongoing introduction of IFRS in the EU and in many other countries the need for interpretations can be expected to increase significantly. In this context, it should be borne in mind that due to the principles-based approach of IFRS the extent of interpretations conceptually needs to be limited. Apart, it may be efficient that local standard-setters publish their own implementation guideline of IFRS in cases where the IFRIC decided not to deal with an issue related (only) to a national jurisdiction. However, due to the difficulties for a national standard-setter to ascertain that an accounting issue is not relevant for other national standard-setters as well, such "country-specific" interpretations by local standard-setters should be limited to very rare cases. Otherwise, there is a latent risk of a growing number of local interpretations being of a much wider interest, weakening the position of IFRIC and ultimately leading to an inconsistent application of IFRS. Therefore, in our view it needs to be assured that IFRIC is and remains the only interpretative body of IFRS in any circumstances.

We hope our comments are helpful to the further process. We would be pleased to answer any questions that may arise. Please do not hesitate to contact Dr. Jürgen Spanheimer (e-mail: [juergen.spanheimer@siemens.com](mailto:juergen.spanheimer@siemens.com)), at +49 89 63634286 to discuss aspects of our comment letter.

Sincerely yours,

Siemens Aktiengesellschaft

ppa. Dr. Klaus Patzak  
Vice President Financial Reporting and Controlling

ppa. Dr. Elisabeth Schmalfuß  
Head of Accounting and Controlling Policies