

August 5, 2005

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

Dear **Mr. McGregor**:

The members of the Accounting Standards Council (ASC), the current accounting standards-setting body in the Philippines, discussed the proposed responsibilities set forth in the Draft Memorandum of Understanding (MOU) on the Role of Accounting Standard-Setters and their Relationship with the IASB. Our comments on the proposals are described in the attachment. We are aware that the deadline for submission of comments on the MOU has passed, but we are still sending our comments for your possible consideration.

If you require additional explanation of our comments, please contact me through the Philippine Institute of Certified Public Accountants (e-mail address: "picpa" <picpa@qinet.net>).

We appreciate the opportunity to give our comments on the IASB's proposed relationship with national accounting standards-setters.

Very truly yours,



CARLOS R. ALINDADA
Chairman

Comments of Philippine ASC on Draft MOU on the Role of Accounting Standard Setters and their relationship with the IASB

Working with regulators

2.3 Accounting standard-setters, not the IASB, should take the prime responsibility for identifying and dealing with domestic regulatory barriers to adopting or converging with IFRSs.

We agree with this proposal. In the Philippines, through their membership in the ASC, government bodies (such as the Philippine Securities and Exchange Commission, the Bangko Sentral ng Pilipinas (or Central Bank) and Board of Accountancy) became aware of possible problems that might arise in the adoption and implementation of IFRSs in the Philippines.

2.4 Accounting standard-setters, not the IASB, should encourage national and regional regulators to participate in international convergence efforts in their own regulatory fields where this would help to facilitate financial reporting convergence.

We agree with this proposal. See also comments to paragraph 2.3.

Communication

3.15 The IASB should ensure that it makes relevant information available on a timely basis so that other standard-setters can be fully informed of the IASB's activities and plans.

We agree with this proposal. While information on IASB activities is posted on the IASB web site, we believe that direct communication with accounting standard-setters of relevant information should be considered.

3.16 The IASB should maintain an up-to-date database of technical issues reported by accounting standard-setters and others that is accessible to the standard-setters. National and regional standard-setters should consult one another on issues of common interest and formulate joint proposals for consideration by the IASB or the IFRIC. (See also section 7 on Interpretations.)

We agree with this proposal. This would contribute to consistency in the interpretations of IFRSs and avoid duplication of effort.

3.17 The IASB should provide sufficient time in relation to consultative documents to allow other standard-setters to prepare any additional relevant material required to place the IASB documents in the national or regional context (including translation from English), expose the IASB documents in their jurisdictions, receive comment from their constituents and formulate their own views with the benefit of constituents' input.

We agree with this proposal. We suggest that the IASB consider a proposal period that is longer than 4 months, for example, 5 to 6 months, to enable the accounting standard-setter enough time to circulate the IASB materials.

3.18 The IASB should encourage critical analysis of its proposals, and provide an open, transparent and credible process for arriving at its conclusions.

We agree with this proposal.

3.19 Accounting standard-setters should encourage their constituents to communicate their technical views direct to the IASB, as well as to the national or regional standard-setter.

We agree with this proposal. In addition to addressing comments on IASB proposals to the ASC, the ASC will encourage respondents to send their comments direct to the IASB.

3.20 Accounting standard-setters should be a key channel for information flowing to the IASB from government agencies, politicians and others who are engaged in non-technical debate.

We agree with this proposal.

3.21 Accounting standard-setters should use relevant forums such as round-tables on specific issues as a mechanism for encouraging their constituents to participate in the IASB's standard-setting process, particularly those constituents who might not otherwise make their views known. Where practicable, the IASB should make Board members and staff available to facilitate these forums.

We agree with this proposal, with appropriate consideration of the available resources of the accounting standard-setter.

3.22 Accounting standard-setters should make the IASB aware of any technical differences of opinion they have with a project as early as possible in the life of a project.

We agree with this proposal. The ASC has committed to exercise its best efforts to communicate to IASB any difference in positions on technical matters.

Project role

4.7 The IASB should, subject to the work being available, provide opportunities to other accounting standard-setters to be involved with IASB projects as follows:

- (a) involvement in a 'research project' alone or, in partnership with a team of other national or regional standard-setters (either as a leader of the team or as a team member), under the guidance of IASB staff and selected Board members.***
- (b) involvement in a 'project team' of national or regional standard-setters on an active project under the direction of IASB staff and/or FASB staff.***

We agree with this proposal, with appropriate consideration of the available resources of the accounting standard-setter.

4.8 Accounting standard-setters should, subject to resources being available, undertake research work with the IASB and be involved in project teams. Once a standard-setter is

committed to a project, it should remain in a position to make an effective contribution to the project.

We agree with this proposal, with appropriate consideration of the available resources of the accounting standard-setter.

4.9 Accounting standard-setters should promote the role of a working group member in their jurisdictions and encourage suitable individuals to nominate themselves.

We agree with this proposal, with appropriate consideration of the available resources of the accounting standard-setter.

Comment role on IASB consultative documents

5.4 Accounting standard-setters should provide timely comments to the IASB on consultative documents, particularly on those projects that are of particular importance to their constituents, or on which the standard-setter considers it can best contribute.

We agree with this proposal. The ASC has committed to exercise its best efforts to provide comments on IASB consultative documents that are of particular importance to the Philippines.

Application of standards

6.6 The IASB should provide a reasonable lead time to allow other standard-setters to process the IFRSs for application in their local regulatory framework so that they have every opportunity to establish and maintain a set of standards that enable their constituents to continue to make an unreserved statement of compliance with IFRSs.

We agree with this proposal. Any new or amendments to IFRSs should be made effective, for example, about a year after their issuance to assist affected groups in the implementation of the new standards or amendments.

6.7 In adopting the IFRSs to apply in their own jurisdiction, standard-setters should avoid amending the IFRSs in a manner that creates a non-compliance with the IFRSs.

We agree with this proposal. However, an accounting standard-setter should be given the lee way to mitigate the impact of the transitional effect of a standard on local entities. In other cases, such as where the IASB has not yet made an official position, an accounting standard-setter should be allowed to exercise its judgment on whether to exempt certain entities, for example, small and medium size entities and non-profit organizations, from certain IFRSs.

Interpretation

7.6 Accounting standard-setters should monitor the implementation of IFRSs in their jurisdictions, identify issues that might require interpretation, and request the IFRIC or the IASB to address the issue.

We agree with this proposal. However, given the evolving interpretations of IFRSs, the IASB should consider more than view where two or more views might be considered acceptable.

7.7 If an issue in a particular jurisdiction does not have broad relevance and the IFRIC or the IASB decides not to deal with it, the standard-setter concerned should issue its own interpretation only when it is compatible with IFRSs.

We agree with this proposal. The ASC has decided that when a particular issue is not addressed by IFRIC, it will consider the issuance of a Philippine Interpretation, with a view to maintaining consistency with IFRSs.

7.8 If the IFRIC and the IASB decide not to address an issue, they should provide an explanation. Other standard-setters should consider this to be a resolution of the issue.

We agree with this proposal. However, the IASB's resolution not to address the issue should be clear enough to provide appropriate guidance to users of IFRSs.

Education

8.4 The IASCF should be sensitive to the IFRS education needs of the various jurisdictions.

We agree with this proposal. This is particularly helpful to first time adopters of IFRSs such as the Philippines.

8.5 Accounting standard-setters should make the IASCF aware of their particular educational needs and the types of programmes that are likely to be most useful and successful in their jurisdictions.

We agree with this proposal.

8.6 Standard-setters should provide the IASCF with material that they consider may be helpful in creating educational materials.

We agree with this proposal.