

IFRS Foundation  
30 Cannon Street  
London EC4M 6XH  
UK

Oslo, 10 December 2010

Dear Sir/Madam

## **The Annual Improvements Process: Proposals to amend the Due Process Handbook for the IASB — Criteria for Annual Improvements to IFRSs**

Norsk RegnskapsStiftelse appreciates the efforts that the IFRS Foundation Trustees have already made to improve the due process of the IASB, and we welcome the current initiative to formalise the criteria for Annual Improvements. In general, we support the Trustees' proposals.

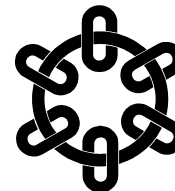
In the past we have questioned some of the issues included in the Annual Improvements project. Some of the issues we believe were too significant to be dealt with via the Annual Improvements project, other issues we believe were not urgent or significant enough to qualify for changes to IFRS through the Annual Improvements project.

We comment below on some of the detail of the proposals for setting the criteria for Annual Improvements.

### **Introducing new principles or changes in principles**

We support the objectives set for Annual Improvements in paragraph 65A. However, we are concerned with the last sentence of paragraph 65A (a) (ii), which indicates that Annual Improvement amendments "...may create an exemption from an existing principle." We accept that this might be necessary, but only in very rare cases. As Annual Improvements are meant to address narrow issues in response to identified practical difficulties, there is a high risk that setting exceptions from existing principles will generate rules, which in turn will eventually lead to IFRS becoming less principles-based standards.

We would like to emphasise the importance of carrying out a thorough due process for all projects before implementation, to reduce the need for post-implementation changes, exceptions and additional guidance. Comparability over time and between entities is best achieved by fixing shortcomings before implementation instead of after. We welcome IASB's increased focus on due process, including carrying out field testing, effect studies and outreach activities and increasing transparency through publishing staff drafts.



## **Annual improvements vs. interpretations**

The criteria proposed do not provide guidance on the distinction between an Annual Improvement amendment and an interpretation. Although this issue relates primarily to the criteria to issue an interpretation, **we think clarification in the IASB Due Process Handbook could be helpful** to avoid misconception of the clarification characteristic mentioned in paragraph 65A.

## **Non-urgent but necessary**

The criterion mentioned in the introduction of the consultation document “amendment is considered non-urgent but necessary” **does in our view not distinguish sufficiently the nature of amendment acceptable in an Annual Improvement project.** We think the criteria in the proposed paragraph 65A better describes when an issue qualify for inclusion in Annual Improvements.

## **Pressing need to make the amendment sooner than a current or planed IASB project**

**We appreciate the inclusion of criterion (d), such that the amendment can only be included in the Annual Improvements if there is a pressing need to make an amendment sooner than the current or planned IASB project on the standard.** Implementing changes separately from the current or planned project has the risk of needing further amendments to the same issue later. Such sequential changes could reduce comparability, thereby reduced quality of financial reporting. **The threshold for including such amendments in the Annual Improvements should be high, which we believe is also the intention with the proposed wording.**

Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response, or related issues, further.

Yours faithfully  
Norsk RegnskapsStiftelse

Erlend Kvaal  
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse