



LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA
MALAYSIAN ACCOUNTING STANDARDS BOARD

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22nd September 2006

Mr. Thomas Seidenstein
International Accounting Standards Committee Foundation
30, Cannon Street
London EC4M 6XH
United Kingdom.

Dear Mr. Seidenstein,

CONSULTATION DOCUMENT ON DUE PROCESS HANDBOOK FOR IFRIC

The Malaysian Accounting Standards Board (MASB) appreciates the opportunity to offer its views on the Consultation Document entitled *Due Process of the International Financial Reporting Interpretation Committee (IFRIC)*.

We support the enhancements of the due process mechanisms proposed in the Consultative Document. However there are certain areas which we believe further improvements can be made to achieve the full potential of the revised structure, details of which are enclosed in the Appendix to this letter.

In brief, our main suggestions are as stated below.

Initial Issue assessment

We appreciate the effort for an initial review of the issues to eliminate the unnecessary time to address all the issues put forward to IFRIC. However it is not immediately visible that all issues raised by interested parties are being addressed at the Board level.

We believe all significant concerns should be considered by the Board or the least, a committee such as the Agenda Committee. We do not extend this view to frivolous concerns raised by informal means but where an organisation has raised a concern through formal process, it is the duty of the Board to consider the issues and determine a course of action. In this regard, we propose the following the inclusion of the following paragraphs to replace existing paragraphs:



Paragraph 20

The IASB staff will collate the issues raised and prepare an action list as well as a discussion forum for the said issues with the Agenda Committee to review and assess the items to see if they meet the agenda criteria and also for those that do not meet the agenda criteria, if they are significant enough to be included in the agenda committee review.

Paragraph 20a

The approved items will be earmarked for subsequent assessment and relevant experts to be consulted if necessary to provide analysis and recommendations to the IFRIC. The non approved items will be published on the IASB website and the draft reason of not selecting the issue will be exposed as a consultative period of 30 days before it is taken off the list.

Essentially, the provisions in the proposed paragraphs seek completeness of an accountability to all issues received and are assessed on an objective manner, and a transparent procedure to control and maintain the due process.

Initial meetings & voting

We believe that there should be guidelines for voting and quorum requirement in relation to the agenda criteria considerations during Agenda Committee meetings.

We also suggest that all issues forwarded to IASB / IFRIC on seeking an interpretation should be posted on the website. In this respect, reasons for those items not submitted to the Agenda Committee should also be made public.

Agenda Committee

Our analysis of the members of IFRIC and the Agenda Committee, led us to conclude that the Agenda Committee will make up a quarter of the total members of IFRIC.

Since a quarter of IFRIC members are in agenda committee, is a simple majority (paragraph 30) adequate in voting for an issue to be included to the agenda list?

We are also unclear of how the issues that were voted and failed the simple majority will be addressed. Although these meetings are held open to the public, there should be a higher degree of transparency to allow the reasons such issues are not voted to the next level of the IFRIC interpretation process.



We recommend that the outcome of voting to be published and posted on the website which will also act as an accountability of addressing all issues raised to IFRIC.

Please do not hesitate to call should you require further elaboration on the above comments.

Yours sincerely



Dr Nordin Mohd Zain
Executive Director

A REVIEW OF IFRIC DRAFT DUE PROCESS:

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?

Response

We are agreeable to the general provisions as set out. However, we consider the following issues and practices could be improved:

- (a) **We are of the opinion that there should be more transparency within the Agenda Committee to clearly identify the status of the IFRIC members holding an office in the Agenda Committee in terms of their rights to vote on the agenda list.**

This is to be viewed in line with the proposed practice of such members also sitting in the IFRIC committee. The issue to be considered will be the conflicts of interest of such a member in voting for the very item they are proposing as well. Should they also refrain from voting as exercised by the Chairman?

- (b) **In the past, the IFRIC preface includes as part of its Agenda Committee, an IASB liaison member and three other IFRIC members, notwithstanding the observers.**

The amended draft states four IFRIC members being its member and no mention of the IASB liaison. This will have significance in the voting of such meetings.

- (c) We suggest that the inclusion of a Quorum requirement in the Agenda Committee meetings as well as the voting preferences of such meetings to have a proper decision making due process.
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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.

Response

We wish to draw your attention to paragraph 28. How will IFRIC determine and under what basis of determination to ascertain whether a project is going to be completed in either a shorter or longer period than the IFRIC requires in completing its due process. If IFRIC can draw up a set of criteria's to be considered, it will give more transparency as to the due process and indicative of less decisions made by individuals perceptions, which will vary from one to another. If such is the case, there will be very little consistency in the long run.

We recommend the consideration of one criterion, which is addressed in Part two of Question 4. The inclusion of localised issues that has different interpretation and treatments in global practices should be addressed.

Question 3 – Consultation regarding issues not added to 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?

Response

We agree.

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.*

Response

On question 4(a), we have no objection.

On question 4(b), we do not agree. In the spirit of convergence with IFRSs, we strongly feel that IFRIC should step up to this area of need in the form of an interpretation or guidance notes to issues faced in localised scenario. There is no point for a jurisdiction to claim convergence with IFRSs, when it issues local interpretations that have inadvertently run inconsistent with the spirit of IFRSs.