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27 July 2005

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

Dear Mr. Warren McGregor:

The International Accounting Standards Review Committee (IASRC) of the Korea Accounting Standards Board (KASB) has finalized its comments on the Draft Memorandum of Understanding on the role of Accounting Standard Setters and their relationships with the IASB. I would appreciate your including our comments in your summary of analysis that will be presented to the IASB.

The enclosed comments are those of the IASRC and do not represent an official position of the KASB. The official position of the KASB is determined only after extensive due process and deliberation, to which this letter has not been subjected.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may forward your inquiries directly to myself or to any one of our two full-time researchers of the KASB, Mr. Jae-ho Kim (jhkim@kasb.or.kr) or Mr. Kyoung-chun Yu (yukc007@kasb.or.kr).

Yours sincerely,



Dr. Chung-woo Suh
Chairman, International Accounting Standards Review Committee
Vice Chairman, Korea Accounting Standards Board

Encl: IASRC comments on the Draft Memorandum of Understanding on the role of Accounting Standard Setters and their relationships with the IASB

IASRC Comments on the Draft Memorandum of Understanding

➤ Point 1.

Before making our comments on the three issues below, we would like to make a formal inquiry first concerning the extent to which this Draft MOU will become binding once it becomes effective after it is signed by the IASB and concerned national standard setters.

The “ultimate aims” assumed by this Draft MOU, among other equally sensitive contents, clearly implies complete adoption and application of IFRSs, and the IASRC of the KASB is apprehensive that such “ultimate aims” of this Draft MOU may require some form of national endorsement due process of each jurisdiction. If not in other countries, this endorsement process definitely seems to be a highly probable requirement in Korea, if we were to ultimately sign this Draft MOU in its current status.

We would like to inquire, therefore, whether or not the IASB has considered this possibility happening around the world and, if it has, how IASB intends to address such issue.

➤ Point 2.

We agree that accounting standard setters should take prime responsibility for working with national regulators. We are apprehensive, however, that accounting standard setters’ sole efforts would not be sufficient to deal with domestic regulatory barriers or to facilitate financial reporting convergence.

We already know that IOSCO, which is the representative body of the world’s securities markets regulators, has been actively involved in encouraging and promoting the improvement and quality of IFRSs up to now and that both the IASB and IOSCO have been endeavoring to work together to resolve outstanding issues. It is our belief that, if the IASB takes prime responsibility for working with IOSCO, national standard setters’ efforts will become more effective since it will be an added opportunity for national regulators to understand the pressing need for global convergence of financial reporting standards.

We suggest, therefore, that the IASB take the initiative in working with regulators. Furthermore, we believe that if the top-down approach (the IASB’s initiative) and the bottom-up approach

(national standard setters' efforts) are properly combined, financial reporting convergence will be achieved more easily and sooner.

➤ **Point 3.**

With respect to the interpretation procedures of the IFRIC, we are most concerned about the amount of time required to wait for the IFRIC to decide whether or not it will formally address an issue raised by a national standard setter.

The Consultation Paper, *Review of IFRIC Operations*, issued in April 2005, proposes to adopt a formal rejection procedure in which the Agenda Committee recommends issues for rejection at one meeting and the IFRIC decides on those recommendations at the next meeting.

However, considering the fact that the IFRIC meets (on the average) once a month, we are much too apprehensive that it will take at least 6 to 8 weeks just for any issue to be decided whether the IFRIC will address it or not, without even considering the amount of time required for the issue of a final interpretation.

Therefore, we would like to suggest that the IFRIC:

1. Hold official meetings at least twice a month
2. Carry out the plan to increase its staff resources as soon as possible
3. Actively utilize the staff resources of national standard setters in the form of visiting fellows, whose salaries should be paid by their affiliated national standard setters (so as to alleviate the IASB from further financial burdens) and who will work as full-time IFRIC staff for a period no less than 2 years (so as to ensure continuance and consistency of professional work)

By taking our suggestion, we believe that the IFRIC can effectively increase its staff resources and, thus, ultimately enhance its capacity to respond to local and practical issues and to produce official interpretations on a timely manner—which in effect are two of the most crucial operational issues of the IFRIC that, we believe, must be address as soon as possible so as satisfy the worldwide demand for a more efficient and agile IFRIC that is most responsive to implicational inquiries.

➤ **Point 4.**

We agree with the need and importance of accounting standard setters' keeping the IASCF informed of local educational needs, including the types of programs that are likely to be most useful and successful in each jurisdiction.

Much to our concern, however, the responsibility of IASCF on the issue of education is not described concretely in the Draft MOU. We believe that the IASCF should provide national standard setters with basic education materials as well. The official education materials provided by the IASCF will not only make the IFRSs easier to understand but also assist national standard setters in negotiating with their regulators and, thus, effectively introducing IFRSs in their jurisdictions.

Once the IASCF is informed of local educational needs, the types of useful programs, and helpful education materials by national standard setters, the IASCF should enrich its basic education materials by reflecting such information and, in return, share those updated and enriched education materials with national standard setters. Such bilateral cooperation will prove to be one of the most effective means of promoting IFRSs worldwide.