



Draft Comment Letter

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Mr Tommaso Padoa-Schioppa
Chairman of the Trustees
of the IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Berlin, 4. November 2010

43. RIC-Sitzung am 11.11.2010

07_1_AIP_Criteria_DCL

Dear Mr Padoa-Schioppa,

The annual improvements process: Proposals to amend the Due Process Handbook for the IASB

On behalf of the Accounting Interpretations Committee (AIC) of Germany I am writing to comment on the IFRS Foundation's Proposals to amend the Due Process Handbook for the International Accounting Standards Board (IASB) with respect to the Annual Improvements Process. We welcome the opportunity to comment on the proposals.

The AIC appreciates the efforts of the IFRS Foundation to develop criteria for annual improvements to IFRSs for inclusion in the Due Process Handbook for the IASB. We think that the proposed criteria generally provide a sufficient and appropriate basis for assessing whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process (AIP).

In planning whether an issue should be addressed by amending IFRSs within the AIP, the IASB is required to assess the issue against four proposed criteria. According to the first criterion (para. 65A (a)) the proposed amendment must have the characteristic of (i) 'clarifying' or (ii) 'correcting', or both. With respect to the proposed wording for the second sub-criterion ('correcting'), we have concerns that the proposed amendment may have an impact on the IFRSs which goes beyond



what we consider to be appropriate and acceptable for AIP, so that AIP in this respect may result in inappropriately far-reaching changes of the IFRSs. Our concerns relate specifically to the underlined parts of the following quotation, which represents an excerpt from paragraph 65A of the proposal:

‘(a) The proposed amendment has one or both of the following characteristics:

- (i) [...]
- (ii) correcting—the proposed amendment would improve IFRSs by:
 - resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, or
 - [...]

A correcting amendment does not propose a new principle or a change to an existing principle, but may create an exception from an existing principle.‘

In order to address this concern, we propose that the IFRS Foundation puts more weight on the second criterion (‘(b) [...] narrow and well-defined purpose, [...] consequences [...] have been considered sufficiently and identified.’). We believe that more weight can be given to this second criterion by simply changing the wording so that the importance of the second criterion increases in relation to the other three criteria.

Other comments

While the IFRS Foundation has provided proposals for planning whether an issue should be addressed by amending IFRSs within the annual improvements project, on the other hand it has not addressed how to deal with issues which will not be dealt with by the annual improvements project. We ask the IFRS Foundation also to provide criteria for such instances, in which issues may not be addressed within AIP but may – for example – be considered to be addressed in the form of a narrow-scope improvement of an IFRS or in the course of a post-implementation review of an IFRS. We are of the opinion that clearly defined criteria for such instances are as important as the definition of criteria for AIP.

While we support the proposed criteria for annual improvements to IFRSs to be incorporated into the IASB Due Process Handbook, we also consider it necessary to incorporate corresponding criteria into the IFRS Interpretations Committee’s Due Process Handbook. This is because the Committee assists the IASB in its Annual Improvements project by reviewing proposed improvements to IFRSs and making recommendations to the Board. Specifically, the IFRS Interpretations Committee’s



involvement includes reviewing and deliberating on issues for their inclusion in future exposure drafts of proposed Improvements to IFRSs and deliberating the comments received on the exposure drafts. When the Committee has reached consensus on an issue included in the Annual Improvements project, the recommendation (including finalisation of the proposed amendment or removal from the project) will be presented to the Board for ratification, in a public meeting, before being finalised. Approved Improvements to IFRSs (including exposure drafts and final standards), however, are issued by the Board. In the light of this division of labour, the Committee should be given criteria for annual improvements which refer specifically to their tasks as described above by incorporation into the IFRS Interpretations Committee's Due Process Handbook.

If you would like further clarification of the issues set out in this letter, please do not hesitate to contact me.

With best regards

Guido Fladt
AIC, Chairman