



# Due Process Handbook

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**Public Discussion**

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# Agenda

1. Introduction
2. The Trustees' oversight role
3. Principles
4. Technical work programme
5. Standards-level projects
6. New or amended standards
7. Interpretations
8. Protocol



# 1. Introduction

- First publication of the Due Process Handbook (DPH) in March 2006
- Several updates (July 2009, December 2010, February 2011 and May 2012)
- The more substantive changes of the last and most comprehensive revisions of the DPH from May 2012 are to:
  - Consolidate the due process requirements of the IASB and the IFRS Interpretations Committee (IC)
  - Include samples of the due process protocol
  - Describe post-implementation reviews
  - Reflect the role of the Due Process Oversight Committee (DPOC)
  - Formulate the target to enhance the cooperation with national standard setters
  - Discuss the options on how to gain information about the effects of IFRSs



## 2. The Trustees' oversight role (1/2)

The Trustees oversee the activities of the IASB and the IC; the responsible body for overseeing the due process procedures is the Due Process Oversight Committee (DPOC)

**New and amended sections regarding the role of the DPOC are:**

- Areas of responsibility
- Process description
- Communication



## 2. The Trustees' oversight role (2/2)

### The DPOC's areas of responsibility are:

- Reviewing regularly the due process activities of the IASB and the IC
- Reviewing and proposing updates to the DPH for the purpose of ensuring best practice
- Approving the composition of consultative groups (so far *working groups*)
- Responding to correspondence from third parties regarding process matters
- Making recommendations regarding changes to the composition of committees



**Question 1:**

*The Trustees have included an introductory section dealing with ,oversight‘ , and the responsibilities of the DPOC (see paragraphs 2.1 – 2.15).*

*Do you support the inclusion and content of this section? Why or why not?*



## **Tentative opinion of the IFRS Committee:**

*General agreement with the enhancement of the role of the Trustees' DPOC; however, the information should not be part of the DPH which should rather focus on the due process itself.*



### 3. Principles

- Principles in the DPH draft:
  - Transparency
  - Full and fair consultation
  - Accountability
  
- Principles in the currently effective DPH:
  - Transparency and accessibility
  - Extensive consultation and responsiveness
  - Accountability





## 4. Technical work programme (1/4)

- Public agenda consultation (three-years-cycle)
  - Additionally, consultation with the Advisory Council
- Objective
  - IFRSs should provide a faithful portrayal of an entity's financial position and performance in its financial statements
- Consistent application of IFRSs
  - Issue of standards that are clear, understandable and enforceable
- Conceptual Framework
  - One of the standing activities of the IASB is its work on the Conceptual Framework; proposals to change are developed and exposed in the same way as standards-level projects



## 4. Technical work programme (2/4)

- Research programme
  - The purpose of the research programme is:
    - To analyse possible financial reporting issues
    - Assessing potential ways to solve the identified issues (e.g. developing a new standard or amending an existing standard)
    - Consideration of broader financial reporting issues
  - In a research project parties involved are:
    - IASB *or*
    - IASB in cooperation with other parties, such as national standard setters and academics



## 4. Technical work programme (3/4)

- Research programme
  - Potential output of research projects:
    - **Discussion papers**  
issued by the IASB, prepared by the staff of the IASB, presenting the analysis and collective views of the IASB on the particular topic
    - **Research papers**  
issued by the IASB, but prepared either by the staff of the IASB or by other parties involved in the project. A research paper contains a comprehensive overview of the issue and the preliminary views of parties involved (the extent of the IASB's involvement and the IASB's views on the examined topic – if available – should be indicated)



## 4. Technical work programme (4/4)

- Research programme
  - Minimum content of a publication (applies to both discussion and research papers):
    - Comprehensive overview of the issue
    - Possible approaches to addressing the issue
    - Preliminary views of the IASB or parties involved
    - Invitation to comment



## 5. Standards-level projects (1/3)

- New IFRSs or major amendments of existing IFRSs:
  - Starting point is the result of the research undertaken (e.g. comment letters received)
  - Next step is the consultation of the Advisory Council and accounting standard-setting bodies on the project proposed
  - The final approval to add a project to the agenda results from a simple majority vote at an IASB meeting
- Amendments of existing IFRSs:
  - Decisions on minor or narrow scope amendments to IFRSs do not need to follow the formal consultation process necessary for new IFRS before being added to the technical work programme



## 5. Standards-level projects (2/3)

- Issues regarding the implementation and maintenance of IFRSs:
  - The IASB and the IC are responsible for questions regarding the maintenance of IFRSs
  - Issues regarding the maintenance of IFRSs could include:
    - Emergence of divergent practices for accounting for particular transactions
    - Existence of cases of doubt about the appropriate accounting treatment for particular circumstances
    - Investors express concerns about poorly specified disclosure requirements



## 5. Standards-level projects (3/3)

- Issues regarding the implementation and maintenance of IFRSs:
  - Objectives of the IC:
    - Provide interpretation guidance on reporting issues that are not specifically addressed in IFRSs
    - Undertake other tasks at the request of the IASB
  - Criteria for accepting a proposal to the technical work programme of the IC:
    - Widespread issue of practical importance
    - Financial reporting would be improved through the elimination or reduction of diverse reporting methods
    - Issue can be resolved efficiently within the confines of existing IFRSs and the Conceptual Framework



### **Question 3:**

*A research programme is described, which we expect will become the development base from which potential standards-level projects will be identified (see paragraphs 4.9 – 4.22). In addition, a new section on maintenance has been added, which formalises the practice that the IASB and the Interpretations Committee have been following for addressing matters that are narrow in scope. It clarifies that the more formal project proposal processes were always intended to apply to new IFRSs and major amendments. The IASB has the discretion to initiate changes that are narrow in scope to IFRSs as part of the general maintenance of IFRSs. The new section also explains how the activities of the IASB and the Interpretations Committee are closely related (see paragraphs 5.11 – 5.20).*

- Do you agree with the distinction between narrow-scope projects, which come under the heading of maintenance and comprehensive projects, which come under the heading of development of IFRSs?*
- Do you agree with the introduction of a separate research programme that will likely be the development base from which potential standards-level projects will be identified? Why or why not?*





## Tentative opinion of the IFRS Committee:

*General agreement with the introduction of a **separate research programme** in the due process.*

*Additionally IFRS Committee suggests:*

- describing the process of a research project, e.g. ‘managing research project section’*
- finalising the research phase by public consultation*
- bearing in mind the cost-benefits restrictions when deciding on taking a research project to the agenda*

*The distinction introduced between **narrow-scope projects and comprehensive projects** is neither clear enough nor sufficiently developed; specific criteria should be developed*



## 6. New or amended standards (1/4)

- Exposure draft
  - Annual Improvements
  - Developing and publication of an exposure draft
  
- Analysis of comments received and consultation
  - Analysis of comments received and the results of other consultations, such as investor consultations
  - Decision on further actions: Finalising the standard or re-exposure draft



## 6. New or amended standards (2/4)

- Comment period
  - Draft Interpretation: 60 days (unchanged)
  - Draft of a rejection notice of a request for an Interpretation: 60 days (currently 30 days)
  - Exposure draft: 120 days (unchanged)
  - Re-exposure draft: 60 days (currently 120 days)



### **Question 4:**

*Two changes to comment periods are proposed. The first would increase the minimum comment period for exposing the draft of a rejection notice of a request for an Interpretation request from 30 days to 60 days (see paragraph 5.16). The other change relates to the re-exposure of a document. The DPOC is proposing to allow the IASB to have a reduced comment period of a minimum of 60 days for documents it plans to re-expose, if the re-exposure is narrow in focus (see paragraph 6.26).*

*Do you agree with the changes in the comment period lengths for rejection notices and re-exposure drafts? Why or why not?*



## **Tentative opinion of the IFRS Committee:**

- *General agreement with the proposal to increase the minimum comment period for exposing the draft of a rejection notice of an Interpretation request from 30 days to 60 days*
- *Disagreement with the proposal to allow a reduced comment period of a minimum of 60 days for re-exposing documents*



## 6. New or amended standards (3/4)

- Finalising an IFRS
  - Mandatory parts of an IFRS are:
    - The principles and application guidance
    - The defined terms
    - The effective date and transition paragraphs
  
  - Accompanying parts of the publication of new or amended standards:
    - Project composition
    - Feedback statement
    - Effect analysis
  
  - Post-publication procedures



## 6. New and amended standards (4/4)

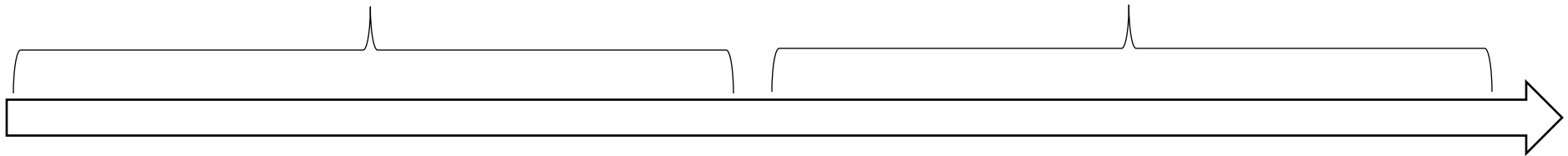
- Post-implementation reviews (PIR)
  - Objective of investigation:  
Assessing the effect of new requirements on investors, preparers and auditors
  - Normally two years after the new requirements have been applied for two years (which is usually 30 to 36 months after the effective date)
  - PIR consists of two phases:
    - Phase 1: initial identification and assessment of the matters to be examined (which are subject of a public consultation in the form of a *Request for Information*)
    - Phase 2: consideration of the comments received from the Request for Information along with information gathered through other consultative activities. On the basis of that information the IASB sets out the steps it plans to take as a result of the review



## Due Process: Summary

Research phase

Development of new or amendment  
of existing standard



### Publications:

1. Research paper
2. Discussion paper

### Publications:

1. - Exposure draft
  - Re-exposure draft
  - Staff draft
  - Review draft
2. Final Standard
3. Amendment of existing standards





## 7. Interpretations

- Draft interpretation
  - Developing a draft Interpretation
  - Publication
  
- Consideration of comments received
  
- Finalising an Interpretation
  - Summary of the accounting issues identified
  - Agreement reached on the appropriate accounting
  - References to relevant IFRSs, parts of the Conceptual Framework and other pronouncements that have been drawn upon to support the agreement
  - Effective date and transitional provisions



## 8. Protocol

- Due process protocol:
  - Documents in form of different tables the fulfilment or non-fulfilment of the requirements of the due process regarding the technical work programme of the IASB or the IC
  - Consists of five columns:
    - Step
    - Required/optional
    - Metrics or evidence
    - Protocol for and evidence provided to DPOC
    - Actions
  - Will be publicly available on the website of the IFRS Foundation (shall increase the process' transparency)



**Question 2:**

*The DPOC have created a Due Process protocol in the form of a table that shows the steps that the IASB must, or could, take, as well as reporting metrics to demonstrate the steps that they have taken, in meeting their due process obligations (see Appendix 4).*

*Do you agree with the idea that such a table should be maintained on the public website for each project? Why or why not?*



## **Tentative opinion of the IFRS Committee:**

*Agreement with the objective that the Due Process Protocol may increase the transparency of due process but:*

- the Protocol should be an integral part of the DPH*
- the quality assurance steps should be the same for publishing draft standards and final standards*



**Question 5:**

*Are there any other matters in the proposed handbook that you wish to comment on, including matters that are not covered by the handbook that you think should be?*



## **Tentative opinion of the IFRS Committee:**

*IFRS Committee recommends solving the following issues:*

- *defining the objectives of the due process*
- *clarifying the role of educational sessions*
- *aligning the objective of financial reporting in the DPH with the objective in the Conceptual Framework*
- *reconsidering the referral of issues by the Monitoring Board*
- *including clear requirements when documents such as Staff Drafts or Practice Statement are to publish*
- *clarifying the role of Practice Guidance*
- *reconsidering the timing of post-implementation reviews*



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