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Mr. Bob Garnett
Chair of the
International Financial Reporting Interpretations Committee
30 Cannon Street

Berlin, 20 September 2006

London EC4M 6XH
United Kingdom

Dear Bob

**Re: Comment Letter on Procedural Issues related to the IFRIC Tentative Agenda
Decisions published in IFRIC Update July 2006**

The AIC appreciates the opportunity to comment on the IFRIC Tentative Agenda Decisions and – despite our concerns with regard to the currently unclear status (authoritativeness) of the published agenda decisions¹ – fully endorses the efforts of the IFRIC to establish a more structured and elaborate consultative process for issues that are not added to the IFRIC agenda.

What puzzles us, though, is the growing number of potential agenda items that are rejected with recourse to the rejection criterion that the IFRIC will not be able to reach a consensus on a timely basis. As already set out in our comment letter on the Draft IFRIC Handbook dated 6 September 2006 the AIC believes that it can hardly be judged after a more or less brief initial discussion at an IFRIC meeting if the development of an Interpretation will be possible on a timely basis. Furthermore, such a justification for the rejection of an item is likely to be perceived as very unsatisfactory by constituents. Therefore, the AIC has suggested to the IFRIC in its comment letter on the Draft IFRIC Handbook refraining from using this criterion unless in-depth discussions of an issue have revealed that a timely consensus cannot be reached.

In its meeting in July 2006 the IFRIC based the rejection of three potential agenda items on the timely consensus criterion. This is somewhat disappointing for the many constituents that were urgently awaiting an answer especially to the issue “IAS 32 – Puts and forwards held by

¹ Please refer to our remarks on this prominent issue in our comment letter on the IFRIC Draft Handbook.
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minority interests". It is unfortunate that divergent practice – explicitly also expected by the IFRIC – will continue to exist. We feel that this might increase the risk of an expectation gap perceived by the constituency with regard to the work of the IFRIC. Similarly, the constituents' appreciation for the rejection of the issue "IAS 39: Indexation on own EBITDA or own revenue" will probably be limited in light of the IFRIC's statement that "it is unclear from the Standard whether revenue or EBITDA are financial or non-financial variables". If a Standard is unclear and the IFRIC believes that the issue cannot be resolved by issuing an Interpretation it might be preferable referring the issue to the IASB for further consideration instead of publishing a rejection note.

Another potential agenda item (IFRS 3 – Are puts or forwards received by minority interests in a business combination contingent consideration?) was rejected for the reason that the IFRIC would not be able to develop guidance more quickly than is likely to be developed in the business combinations project. While this may be a realistic assessment and generally an acceptable rationale for not taking an issue on the IFRIC agenda, the AIC doubts that the latter is also true in the current situation. The IASB has recently published a statement that no new IFRS will be effective until 2009. Taking this into consideration, giving interim guidance might in some cases be more appropriate than leaving the decision on specific issues to the IASB.

Finally, the AIC believes that the reasoning used in some agenda rejections is rather weak. For example, it is certainly not helpful for the constituent who submitted the potential agenda item on SIC-12 to learn that "the exercise of judgment and skill" is necessary in the determination of the party having control over an SPE.

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

With best regards

Stefan Schreiber
AIC, Chairman