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Dear Mr Wong

### **IASC Foundation Constitution review: proposals for change**

GASB welcomes the opportunity to comment on the IASC Foundation's proposals for changing the constitution.

GASB fully supports the IASB's striving for high quality global financial reporting standards and appreciates IASB's and FASB's joint efforts of converging their requirements. Standardsetting has become a very dynamic process, specifically so since an overwhelming number of countries has endorsed or is about to endorse the use of IFRS. The process can be improved; the proposed changes will pave the way.

GASB looks forward to a continued working relationship with the IASB.

Yours sincerely,

*Klaus Pohle*



### **Topic 1: Whether the objectives of the IASC Foundation should expressly refer to the challenges facing small and medium-sized entities**

GASB supports IASB's project on Financial Reporting by Small and Medium-sized Entities unequivocally. However, the very likely outcome seems to be a separate set of standards which GASB concurs with. Therefore, the proposed change does not reflect the current debate within IASB: paragraph 2 (a) should be amended instead of paragraph 2 (b). There are several ways of introducing the reference to SMEs; we suggest the following:

- (a) to develop, in the public interest, ~~a single set of~~ high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions;

We are not aware of a commonly used definition of emerging economies and their special needs regarding financial reporting; it seems to be premature to include a reference to such an unknown or at least undefined criterion for financial reporting. We suggest deleting this reference.

### **Topic 2: Number of Trustees and their geographical and professional distribution**

GASB concurs with the proposed changes. The number of trustees should not be expanded further as a group of more than 20 people might lose efficiency. Given that the main role of the trustees remains funding and oversight, the geographical and professional distribution should not play the main role, rather the commitment.

### **Topic 3: The oversight role of the Trustees**

GASB strongly believes in the independence of IASB's technical decisions; the Trustees' role should remain oversight that is review annually the strategy of the IASCF and the IASB and its effectiveness. While GASB acknowledges that agenda decisions, specifically prioritisation have not been very transparent, the currently proposed wording of the constitution provides ample tools for effective oversight. Furthermore, the Trustees will rely heavily on SAC's support when pursuing the technical review as the Trustees will not be in a position to follow the technical intricacies. The proposed rewording is seen as strengthening the role of the Trustees, not changing it. It would be appropriate if the Trustees published the findings of their annual review of the strategy, the effectiveness and the compliance with the operating procedures, consultative arrangements and due process. The Trustees should hold the IASB accountable for developing high quality, understandable and enforceable standards.

GASB does not support IASCF's initiatives in educational activities. Educational activities clearly have to be linked to the background of the people to be educated. Even taking on reviewing educational programmes and materials in at least 100 to 150 countries would mean an investment surpassing IASCF's means.



#### **Topic 4: Funding of the IASC Foundation**

While supporting funding structures that maintain IASB's independence, GASB does not see the necessity for the proposed change nor its merit as someone must remain responsible for fundraising. To our understanding it is the most prominent task of trustees apart from oversight to assume this responsibility; merely "satisfying themselves" seems to leave a void.

#### **Topic 5: The composition of the IASB**

GASB supports the proposed changes. While seeing recent experience in financial reporting as the most prominent criterion, increasing the number of part timers might not be the most effective solution: it seems to be almost unfair on the part timers to be satisfied with half the remuneration for almost the same workload. So far there is limited experience with board members not taking up a second term of office; offering a second term and therewith strengthening standardsetting experience should be weighed against "new blood" with more recent financial reporting experience.

#### **Topic 6: The appropriateness of the IASB's existing formal liaison relationships**

While acknowledging the limitations the current constitution allows for in formal liaison relationships, the proposed changes will need to be monitored closely to ascertain that establishing and maintaining cooperation happens not just with one or two organisations, but with a broad range of national standardsetters. Specifically the agreements with FASB and the ensuing consequences for IASB's agenda have already a very binding effect on resources and prioritisation.

#### **Topic 7: Consultative arrangements of the IASB**

GASB welcomes the improvements to the due process. We strongly encourage the IASB to conduct field visits more frequently; this would help finding practical solutions and ascertain more readily acceptance by preparers.

#### **Topic 8: Voting procedures of the IASB**

GASB supports the proposed changes as it demonstrates broader support for texts issued while still limiting the need for compromise.

#### **Topic 9: Resources and effectiveness of the International Financial Reporting Interpretations Committee (IFRIC)**

GASB is still very concerned about the effectiveness of IFRIC: the concerns relate to the timeliness (eg service concessions), some issues taken up where a worldwide need is not obvious (eg changes in contributions to employee share purchase plans), and numerous organisations stepping in by offering interpretations and implementations guidance (eg FEE, CESR). GASB looks forward to seeing the results of IFRIC' review and the opportunity for public review of the issues being discussed.



**Topic 10: The composition, role, and effectiveness of the Standards Advisory Council (SAC)**

GASB concurs with the proposed changes. The effectiveness of SAC will clearly be enhanced by an appointed chairman; further improvement of its effectiveness might be achieved by staying closer to the number of thirty members than currently.