

International Accounting Standards Committee Foundation

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# DRAFT DUE PROCESS HANDBOOK FOR THE IFRIC

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MAY 2006



**International  
Accounting Standards  
Committee Foundation®**

**Due Process of the  
International Financial Reporting  
Interpretations Committee**

**Draft Handbook**

**International Accounting Standards Committee Foundation**

*Comments to be received by 30 September 2006*

This draft *Due Process Handbook for the International Financial Reporting Interpretations Committee* (IFRIC) has been prepared by the IFRIC and is published by the International Accounting Standards Committee Foundation, for comment only. Comments on the draft Handbook should be submitted in writing so as to be received by **30 September 2006**.

All responses will be put on the public record unless the respondent requests confidentiality. However, such requests will not normally be granted unless supported by good reason, such as commercial confidence. If commentators respond by fax or email, it would be helpful if they could also send a hard copy of their response by post. Comments should preferably be sent by email to [ifricdueprocess@iasb.org](mailto:ifricdueprocess@iasb.org) or addressed to:

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**International Accounting Standards Committee Foundation**  
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**London EC4M 6XH**  
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## Invitation to comment

### Introduction

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The International Financial Reporting Interpretations Committee (IFRIC) is appointed by the Trustees of the International Accounting Standards Committee (IASC) Foundation to assist the International Accounting Standards Board (IASB) by considering issues on which there is divergence in practice and by developing Interpretations of International Financial Reporting Standards (IFRSs). Interpretations of IFRSs are developed through a formal system of due process and broad international consultation.

This consultation paper seeks comments on a draft handbook prepared by the IFRIC, setting out the IFRIC's policies and procedures related to its due process.

In November 2003, the Trustees initiated a review of the organisation's Constitution. They identified the resources and effectiveness of the IFRIC as one of ten major issues to review.

On its own initiative, but with the Trustees' support, the IFRIC undertook an internal review of its operations. In March 2005, the IASC Foundation published for public comment a consultation paper *IFRIC Review of Operations*. At its meetings in November 2005 and January and March 2006, the IFRIC discussed the 33 comment letters received and developed a draft handbook of its due process.

The analysis of the comment letters and the IFRIC's recommendations were presented to the Trustees at their meeting in November 2005. The Trustees' Procedures Committee and the full Trustees reviewed a draft of the handbook at their meeting in March 2006. The Trustees are now publishing the IFRIC Due Process Handbook in draft for public comment.

### Features of the documents in this consultation paper

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The draft IFRIC Due Process Handbook has been developed from the *Preface to International Financial Reporting Interpretations* (the IFRIC *Preface*). It is intended that, when finalised, the Handbook will replace the IFRIC *Preface*.

As a consequence of the development of the IFRIC Due Process Handbook minor amendments are proposed to the *Preface to International Financial Reporting Standards*, including its retitling as the *Preface to International Financial Reporting Standards and International Financial Reporting Interpretations* to reflect the fact that it covers the output of both the IASB and the IFRIC. The proposed amendments are set out at the end of this consultation paper.

### Invitation to comment

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The Trustees of the IASC Foundation invite comments on the draft IFRIC Due Process Handbook, particularly on the questions set out below. Comments are most helpful if they:

- (a) comment on the questions as stated;
- (b) contain a clear rationale; and
- (c) include any alternative the IASC Foundation should consider, if applicable.

### **Question 1 – Agenda Committee**

The Agenda Committee assists the IASB staff in presenting issues to the IFRIC so that the IFRIC can decide whether to add an issue to its agenda (paragraph 23). The Agenda Committee is not a decision-making body and does not meet in public (paragraph 26). The Agenda Committee reports to the IFRIC at its regular meetings on the issues the Agenda Committee considered and the Agenda Committee's recommendation on each issue (paragraph 27).

Do you agree with the Agenda Committee process described in paragraphs 23–27? If not, what changes do you propose, and why?

### **Question 2 – Agenda criteria**

The IFRIC assesses proposed agenda items against the criteria listed in paragraph 28. For inclusion in the agenda an issue does not have to satisfy all the criteria.

Do you agree with the agenda criteria listed in paragraph 28? If not, please specify the criteria you would add, alter or delete, and explain why.

### **Question 3 – Consultation regarding issues not added to the IFRIC agenda**

A consultative period applies to issues that are not added to the agenda. The draft reason for not adding an item to the agenda is published in IFRIC *Update* and electronically on the IASB Website with a comment period of about 30 days.

Do you agree with the consultative process for issues that are not added to the IFRIC agenda? If not, what changes do you propose, and why?

### **Question 4 – Relationship with national standard-setters and interpretative groups**

The IFRIC's relationship with national standard-setters (NSSs) and interpretative groups (NIGs) is described in paragraphs 54 and 55.

- (a) Do you agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC? If not, why not?
- (b) Do you agree that the IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs? If you disagree, please explain why.

Those who wish to respond are asked to send their comments in writing for the Trustees' Procedures Committee's review, so as to be received by **30 September 2006**, to

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IASB Foundation  
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Email: ifricdueprocess@iasb.org

# International Accounting Standards Committee Foundation

## DUE PROCESS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE

[Draft May 2006]

### Introduction

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- 1 The International Financial Reporting Interpretations Committee (IFRIC) is a committee of the International Accounting Standards Board (IASB) that assists the IASB in improving financial reporting through timely identification, discussion and resolution of financial reporting issues within the framework of International Financial Reporting Standards (IFRSs). The IFRIC was established in March 2002 by the Trustees of the International Accounting Standards Committee (IASC) Foundation, when it replaced the previous interpretations committee, the Standing Interpretations Committee. [IFRIC *Preface* 1 amended]\*
- 2 This [draft] Handbook was published in draft for public comment in May 2006. It is based on the existing framework of the due process laid out in the Constitution of the IASC Foundation and the *Preface to International Financial Reporting Interpretations* issued by the IASB. It reflects the public consultation conducted in 2005 and 2006. [based on IASB *Due Process* 1]
- 3 The Trustees of the IASCF have set up a committee—the Trustees’ Procedures Committee—with the task of regularly reviewing and, if necessary, amending the procedures of due process in the light of experience and comments from the IFRIC, the IASB and constituents. [IASB *Due Process* 2]
- 4 The Trustees have approved this [draft] Handbook [for consultation]. [IASB *Due Process* 3]

### Responsibilities of the IFRIC and scope of its work

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- 5 In the context of its requirements for due process, the IFRIC reviews newly identified financial reporting issues not specifically addressed in IFRSs or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance, with a view to reaching a consensus on the appropriate treatment. [IFRIC *Preface* 3]

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\* To assist readers of the draft IFRIC Due Process Handbook, the source of each paragraph is indicated in square brackets following the paragraph.

- 6 In providing interpretative guidance, the IFRIC applies a principle-based approach founded on the *Framework for the Preparation and Presentation of Financial Statements*. The IFRIC considers the principles articulated in relevant IFRSs to develop its interpretative guidance and to determine that the proposed guidance does not conflict with IFRSs. It follows that the IFRIC is not seeking to create an extensive rule-oriented environment in providing interpretative guidance. Neither does it act as an urgent issues group. [IFRIC *Preface* 4 amended]
- 7 The IFRIC does not reach a consensus that changes or conflicts with IFRSs or the *Framework*. If the IFRIC concludes that the requirements of an IFRS differ from the *Framework*, it obtains direction from the IASB before providing guidance. In reaching its consensus views, the IFRIC also has due regard for the need for international convergence. [IFRIC *Preface* 5]
- 8 The IFRIC informs the IASB of any existing or emerging issues that it perceives as indicative of inadequacies in IFRSs or the *Framework*. If the IFRIC believes that an IFRS or the *Framework* should be modified or an additional IFRS should be developed, it refers such conclusions to the IASB for its consideration. [IFRIC *Preface* 6]
- 9 When the IFRIC reaches a consensus on an issue, that consensus is made publicly available to interested parties on a timely basis in a document entitled an IFRIC Interpretation (or Amendment to an Interpretation). The Interpretations issued by the IFRIC are developed in accordance with a due process of consultation and debate including making draft Interpretations available for public comment. [IFRIC *Preface* 7]

## Membership

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- 10 The IFRIC has twelve voting members appointed by the Trustees. [Constitution 15(b) and 33] The members are selected for their ability to maintain an awareness of current issues as they arise and the technical ability to resolve them. They would normally include accountants in industry and public practice and users of financial statements, with a reasonably broad geographical representation. The lack of a full complement of members does not restrict the IFRIC's ability to meet. The membership shall not include more than one person from the same entity. [IFRIC *Preface* 11]
- 11 Members of the IFRIC are appointed for fixed renewable terms of three years. It is recognised that continuity of membership is important to its work. Consequently, it is expected that a number of members will be appointed for more than one term. [Constitution 33 and IFRIC *Preface* 12]
- 12 The IFRIC is chaired by a member of the IASB, the Director of Technical Activities or another senior member of the IASB staff, or another appropriately qualified individual. [Constitution 33] The Chairman of the IFRIC is appointed by the Trustees. The Chairman has the right to speak on the technical issues being considered but not to vote. [IFRIC *Preface* 13]

- 13 The IFRIC also includes observers (currently from IOSCO and the European Commission) and appointed liaison members of the IASB. Observers and liaison IASB members have the right to speak but not to vote. [Constitution 33] Similarly, members of the IASB other than those specifically designated to liaise with the IFRIC may attend IFRIC meetings, with the right to speak but not to vote. [Constitution 34 and IFRIC *Preface* 14]
- 14 IFRIC members and observers are expected to attend all meetings. Membership is personal; members vote in accordance with their own independent views, not as representatives voting according to the views of the firm, organisation or constituency with which they are associated. If an IFRIC member or observer is unable to attend a meeting, he or she may designate an alternate who will attend in his or her stead. The alternate is nominated in advance in consultation with, and with the agreement of, the Chairman and should be fully briefed by the member in advance of the meeting. Alternates have the right to speak but are not included in determining whether quorum requirements are satisfied and do not have the right to vote. [Constitution 34 and 35, and IFRIC *Preface* 15]
- 15 A member's continued membership will be reconsidered by the Trustees if the member is absent from two successive meetings of the IFRIC or is absent from three meetings of the IFRIC held during a period of one year. The member's appointment will be terminated unless reasonable grounds for the absence and an assurance of future attendance are provided. [IFRIC *Preface* 16]
- 16 The quorum and voting requirements are detailed in paragraphs 32 and 33.

## Due process

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- 17 The IFRIC due process comprises seven stages.

### **Stage 1: Identification of issues**

- 18 The primary responsibility for identifying issues to be considered by the IFRIC is that of its members and observers. Preparers, auditors and others with an interest in financial reporting are encouraged to refer issues to the IFRIC when they believe that divergent practices have emerged regarding the accounting for particular transactions or circumstances or when there is doubt about the appropriate accounting treatment and it is important that a standard treatment be established. [IFRIC *Preface* 23]
- 19 An issue may be put forward by any individual or organisation. A template for submission is available on the IASB Website (see Appendix A). A submission can be made either by email to ifric@iasb.org or by post to the IASB address for the attention of the IFRIC Co-ordinator. A submission should contain both a detailed description of the issue (including a description of alternative solutions referring to the relevant IASB pronouncements) and an evaluation of the issue using the criteria for agenda items set out in paragraph 28 below. [IFRIC *Preface* 24]



20 The IASB staff consider whether the item meets the agenda criteria. They subsequently assess the issue and provide analysis and recommendations to the IFRIC.

21 Consensus views of the IFRIC have general applicability. The IFRIC does not resolve issues that are specific to the circumstances of a particular entity. [IFRIC *Preface* 25]

## **Stage 2: Agenda Committee and new agenda items**

22 The IFRIC Agenda Committee consists, at a minimum, of the Chairman and four IFRIC members selected by the Chairman. The IASB liaison members, the other IFRIC members and the observers may attend Agenda Committee meetings as they wish so long as no more than eight IFRIC members in total are present in person or by telecommunications. For continuity, the four selected IFRIC members have two-year terms on the Agenda Committee. Terms may be renewed by the Chairman. [part IFRIC *Preface* 26]

23 The Agenda Committee assists the IASB staff in presenting the issues to the IFRIC so that the IFRIC can decide whether to add an issue to its agenda. The source of a suggested agenda item is not revealed to the Agenda Committee or to others.

24 The Agenda Committee may recommend an issue for addition to the IFRIC agenda. The Agenda Committee does not decide which issues should be added to the IFRIC agenda. The Committee's role is limited to the presentation of analysis and recommendations to the IFRIC.

25 In determining whether to recommend that an issue be included on the IFRIC agenda, the Agenda Committee considers the criteria set out in paragraph 28, although an issue does not have to satisfy all the criteria as a precondition for recommendation.

26 The Agenda Committee will conduct its business in meetings and may use the same means of attendance that are open to IFRIC meetings. It is not a decision-making body and does not meet in public. [IFRIC *Preface* 28] The papers for Agenda Committee meetings are available to any IFRIC member on request.

27 The Agenda Committee reports to the IFRIC at its regular meetings on the issues the Agenda Committee considered for addition to the IFRIC's agenda and the Agenda Committee's recommendation on each issue.

28 The IFRIC assesses proposed agenda items against the following criteria. An issue does not have to satisfy all the criteria to qualify for assessment. [IFRIC *Preface* 27 and 29]

- (a) The issue is widespread and has practical relevance.
- (b) The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice).
- (c) Financial reporting would be improved through the elimination of the diverse reporting methods.

- (d) The issue is a narrow implementation or application issue that can be resolved efficiently within the confines of existing IFRSs.
- (e) It is probable that the IFRIC will be able to reach a consensus view on a timely basis.
- (f) If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities.

The IFRIC will not add an item to its agenda if the IFRSs are clear, with the result that divergent interpretations are not expected in practice. The IFRIC will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the IFRIC requires to complete its due process.

- 29 A consultative period applies to issues that are not added to the agenda. The draft reason for not adding an item to the agenda is published in *IFRIC Update* and electronically on the IASB Website with a comment period of about 30 days. The comments received are placed on the public record, unless confidentiality is specifically requested by the writer, and form part of the deliberation that takes place at the next available IFRIC meeting. At this meeting the IFRIC decides whether to add the issue to its agenda. [part replacement of *IFRIC Preface 30*]
- 30 A simple majority of IFRIC members present at the meeting can agree to add any issue to the IFRIC agenda, regardless of the Agenda Committee's recommendation. The reasons for not adding an item to the IFRIC agenda are posted on the IASB Website as a historical record of decisions taken. That record is not updated as standards are amended and does not form part of IFRSs. [replaces *IFRIC Preface 30*]
- 31 To ensure that the IFRIC considers only issues on which timely guidance can be provided, over the course of a project the IFRIC reassesses from time to time whether the issues can be appropriately addressed within the mandate. If an issue has been considered at three meetings and there is still no consensus in prospect for either a draft or final Interpretation, the IFRIC considers whether it should be removed from the agenda. The IFRIC may extend consideration of the issue for an additional period, normally not more than one or two meetings. If the IFRIC has concluded that it will not be able to reach a consensus, it will discontinue work on the issue, inform the IASB and publish the fact that work has been discontinued. The IFRIC may recommend that the matter be taken up by the IASB. [*IFRIC Preface 37*]

### **Stage 3: IFRIC meetings and voting**

- 32 The IFRIC meets in public following procedures similar to the IASB's general policy for its Board meetings. [Constitution 34] At such meetings the IFRIC debates both matters that are on its agenda and items proposed to be added to its agenda. IFRIC members and observers are expected to attend meetings in person. However, meetings may be held using teleconference or any other communication facilities that permit simultaneous communication among all members and observers and allow public observers to hear all participants. [*IFRIC Preface 18*]

- 33 Nine voting members of the IFRIC present in person or by telecommunications constitute a quorum. [Constitution 34 and *Preface* 17] [The quorum is reduced to eight voting members for a maximum of three meetings from a vacancy occurring, if the vacancy remains unfilled. If more than one vacancy exists at a time, the quorum is not further reduced and the original three meeting limit is not extended.]\*
- 34 Each IFRIC member has one vote. Members vote in accordance with their own independent views, not as representatives voting according to the views of any firm, organisation or constituency with which they may be associated. Proxy voting is not permitted. [Constitution 35 and IFRIC *Preface* 19]
- 35 The Chairman may invite others to attend meetings of the IFRIC as advisers when specialised input is required. A member or observer may also, with the prior consent of the Chairman, bring to a meeting an adviser who has specialised knowledge of a topic to be discussed. Such invited advisers will have the right to speak. [IFRIC *Preface* 21]
- 36 The IFRIC may conduct business electronically or by mail between meetings, for example to confirm drafting of a proposed draft or final Interpretation or for the IASB staff to obtain information on a proposed topic so that it can be developed appropriately for public discussion. All technical decisions, however, are made in meetings that are open for public observation. [IFRIC *Preface* 22]

#### **Stage 4: Development of a draft Interpretation**

- 37 The IFRIC reaches its conclusions on the basis of information contained in Issue Summaries that are prepared under the supervision of IASB staff. An Issue Summary describes the issue to be discussed and provides the information necessary for IFRIC members to gain an understanding of the issue and make decisions about it. An Issue Summary is developed for the IFRIC's consideration after a thorough review of the authoritative accounting literature and possible alternatives, including consultation where appropriate with national standard-setters. An Issue Summary may include:
- (a) a brief description of the transaction or event.
  - (b) the specific issues or questions to be considered by the IFRIC.
  - (c) the relevant concepts from the *Framework*.
  - (d) a description of potential appropriate alternative treatments based on those concepts, with the arguments in favour and against each alternative.
  - (e) a list of the relevant IASB pronouncements as well as those of national standard-setters, identifying any inconsistency between the alternative treatments, the relevant concepts, and the standards.
  - (f) recommendations on the appropriate accounting treatment.

[IFRIC *Preface* 31]

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\* The text in square brackets reflects the proposed amendment to the Constitution.

38 A draft Interpretation is developed on which the IFRIC votes. Voting takes place at a public meeting. A consensus is achieved when no more than three members have voted against the proposal. [Constitution 35 and IFRIC *Preface* 20]

39 An Interpretation includes:

- (a) a summary of the accounting issues identified;
- (b) the consensus view reached on the appropriate accounting;
- (c) references to relevant IFRSs, parts of the *Framework* and other pronouncements that have been drawn upon to support the consensus view; and
- (d) the effective date and transitional provisions.

The reasons for the consensus view are set out in the Basis for Conclusions.

[IFRIC *Preface* 36]

### **Stage 5: IASB role in the release of a draft Interpretation**

40 IASB members have access to all IFRIC agenda papers. They are expected to comment on technical matters as the issues are being considered, particularly if they have concerns about alternatives the IFRIC is considering. [IFRIC *Preface* 32]

41 IASB members are informed when the IFRIC reaches a consensus in a draft Interpretation. The draft Interpretation is released for public comment unless five or more IASB members object within a week of being informed of its completion. [IFRIC *Preface* 32]

42 If a draft Interpretation is not released because of IASB members' objections, the issue will be considered at the next IASB meeting. On the basis of discussion at the meeting, the IASB will decide whether the draft Interpretation should be issued or whether the matter should be referred back to the IFRIC, added to its own agenda or not be the subject of any further action. [IFRIC *Preface* 32]

### **Stage 6: Comment period and deliberation**

43 Draft Interpretations are made available for public comment for 60 days. If the need for an Interpretation is particularly urgent, the comment period may be as short as 30 days. All comments received during the comment period are considered by the IFRIC before an Interpretation is finalised. Unless confidentiality is requested by the commentator, the comment letters will be made publicly available. A staff summary and analysis of the comment letters will be provided to the IFRIC. [IFRIC *Preface* 33]

44 If the proposed Interpretation is changed significantly, the IFRIC will consider whether it should be re-exposed. Re-exposure is not required automatically and will depend on the significance of the changes contemplated, whether they were raised in the Basis for Conclusions of the draft Interpretation or in questions posed by the IFRIC, their significance for practice and what may be learned by the IFRIC from re-exposure. [IFRIC *Preface* 34]

- 45 The IFRIC votes to confirm the consensus set out in the final Interpretation. A consensus is achieved when no more than three members present at the meeting have voted against the proposal. [IFRIC Preface 20]

### **Stage 7: IASB role in the issue of a final Interpretation**

- 46 When the IFRIC has reached a consensus on a final Interpretation, the Interpretation is put to the IASB for ratification, in a public meeting, before being issued. Approval by the IASB requires at least nine IASB members to be in favour. [Constitution 30] The IASB votes on the Interpretation as submitted by the IFRIC. If an Interpretation is not approved by the IASB, the IASB provides the IFRIC with an analysis of the objections and concerns of those voting against the Interpretation. On the basis of this analysis, the IASB will decide whether the matter should be referred back to the IFRIC, added to its own agenda or not be the subject of any further action. [IFRIC Preface 35]
- 47 Approved Interpretations are issued by the IASB. [IFRIC Preface 36]

## **Authority of IFRIC Interpretations**

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- 48 IFRIC Interpretations set out consensus views that entities are required to apply if their financial statements are described as being prepared in accordance with IFRSs. [IFRIC Preface 8] The authoritative text of any draft or final Interpretation is that published by the IASB in the English language. [Constitution 32]
- 49 IFRIC Interpretations usually apply to periods beginning on or after a specified effective date (usually three months from the date of issue). However, the IFRIC may choose to vary that approach. Transitional provisions that apply on initial application of an IFRIC consensus are specified in the Interpretation. In keeping with IFRSs, the presumption is that IFRIC Interpretations will be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The IFRIC also considers the effect of the transitional provisions on first-time adopters of IFRSs, including the interaction of the transitional provisions with those of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. [IFRIC Preface 9 amended]
- 50 An IFRIC Interpretation is withdrawn when an IFRS or other authoritative document issued by the IASB that overrides or confirms a previously issued IFRIC consensus becomes effective. The IFRIC Interpretations that would be affected by an authoritative IASB document are identified in the exposure draft of that document. The IASB informs the IFRIC when an exposure draft proposes the withdrawal of an IFRIC Interpretation. [IFRIC Preface 10]

## Communication

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- 51 IFRIC members and observers are encouraged to discuss, in general terms, technical issues being considered by the IFRIC with associates who have an interest and expertise in such matters. Informal consultation of this kind offers members the opportunity to bring a variety of views to bear on the decisions to be made. The IFRIC agenda papers and drafts of proposed Interpretations are not to be distributed to other parties without the consent of the Chairman. [IFRIC *Preface* 38]
- 52 Information about the deliberations of the IFRIC is made available to the public. The IFRIC meeting agenda is posted on the IASB Website in advance of each meeting. Observer notes are prepared before the IFRIC meeting to allow public observers to follow the debate and discussion during the meeting. About two weeks after the IFRIC meeting the IASB staff post IFRIC *Update* on the IASB's Website, summarising the IFRIC's decisions and recent developments. Shortly afterwards IFRIC *Update* is published in hard copy. [IFRIC *Preface* 39]
- 53 The IFRIC regularly reports to the IASB on matters relating to its procedures, progress with its agenda and other administrative matters. [IFRIC *Preface* 40] In addition, the IFRIC reviews its mandate and operating procedures at least every five years. The results of this review are communicated to the IASB for consideration and, after consultation with the Standards Advisory Council, the IASB may make recommendations to the Trustees for change. [IFRIC *Preface* 41]

## Relationship with national standard-setters and national interpretative groups

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- 54 The IASB staff liaise with national standard-setters (NSSs) and national interpretative groups (NIGs) to identify interpretative issues that the IFRIC Agenda Committee and the IFRIC might need to consider. IFRIC members and observers are encouraged to identify issues that may indicate emerging divergence in the interpretation of IFRSs. [IFRIC *Preface* 42 amended]
- 55 NSSs and NIGs are encouraged to refer interpretative issues to the Agenda Committee for the IFRIC's consideration. The IFRIC, however, will not give assurance that a local interpretation is either consistent or inconsistent with IFRSs. [IFRIC *Preface* 43 amended]

## Appendix A

### Template for submission of a potential agenda item request to the IFRIC

Any individual or organisation may put forward suggestions of potential agenda items for consideration by the IFRIC. Anyone doing so is asked to submit a brief proposal, which will be presented to the IFRIC without identifying the submitter. The proposal should include the following:

- 1 **The Issue.** A description of the issue including, where relevant, any aspects that should be addressed separately.
- 2 **Current practice.** A brief description of current or emerging accounting practices, outlining the major alternatives, and referring to the relevant IASB pronouncements.
- 3 **Reasons for the IFRIC to address the issue.** The issue should be evaluated using the following criteria:
  - (a) Is the issue widespread and practical?
  - (b) Does the issue involve significantly divergent interpretations (either emerging or already existing in practice)?
  - (c) Would financial reporting be improved through the elimination of the diversity?
  - (d) Is the issue a narrow implementation or application issue that can be resolved using existing IFRSs?
  - (e) If the issue is related to a current or planned IASB project, is there a pressing need for guidance sooner than would be expected from the IASB project? (The IFRIC will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the IFRIC requires to complete its due process.)

A template is set out below. Please submit the completed template by either email to [ifric@iasb.org](mailto:ifric@iasb.org) or post to:

Allan Cook, IFRIC Co-ordinator  
International Accounting Standards Board  
First Floor  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

## **IFRIC POTENTIAL AGENDA ITEM REQUEST**

**The issue:**

**Current practice:**

**Reasons for the IFRIC to address the issue:**

**Submitted by**

**Name:**

**Organisation:**

**Address:**

**Phone:**

**Email:**



## Appendix B

### The IASB's due process – extracts from the Constitution

- 15 In addition to the duties set out in Part A, the Trustees shall:
- (a) ...
  - (b) appoint the members of the International Financial Reporting Interpretations Committee and the Standards Advisory Council;
  - ...
  - (f) establish and amend operating procedures, consultative arrangements and due process for the IASB, the International Financial Reporting Interpretations Committee and the Standards Advisory Council;
  - ...
  - (i) exercise all powers of the IASC Foundation except for those expressly reserved to the IASB, the International Financial Reporting Interpretations Committee and the Standards Advisory Council; and
  - ...
- 16 The Trustees may terminate the appointment of a member of the IASB, the International Financial Reporting Interpretations Committee or the Standards Advisory Council, on grounds of poor performance, misbehaviour, incapacity or other failure to comply with contractual requirements, and the Trustees shall develop procedures for such termination.
- ...
- 30 The publication of an Exposure Draft, International Accounting Standard, International Financial Reporting Standard, or final Interpretation of the International Financial Reporting Interpretations Committee shall require approval by nine of the fourteen members of the IASB. Other decisions of the IASB, including the publication of a discussion paper, shall require a simple majority of the members of the IASB present at a meeting that is attended by at least 60% of the members of the IASB, in person or by telecommunications.
- 31 The IASB shall:
- (a) have complete responsibility for all IASB technical matters including the preparation and issuing of International Accounting Standards, International Financial Reporting Standards and Exposure Drafts, each of which shall include any dissenting opinions, and final approval of Interpretations by the International Financial Reporting Interpretations Committee;
  - ...

- 32 The authoritative text of any Exposure Draft or International Accounting Standard or International Financial Reporting Standard or Draft or final Interpretation shall be that published by the IASB in the English language. The IASB may publish authorised translations or give authority to others to publish translations of the authoritative text of Exposure Drafts and International Accounting Standards and International Financial Reporting Standards and Draft and final Interpretations.

### **International Financial Reporting Interpretations Committee**

- 33 The International Financial Reporting Interpretations Committee shall comprise twelve voting members, appointed by the Trustees under Section 15(b) for renewable terms of three years. The Trustees shall appoint a member of the IASB, the Director of Technical Activities or another senior member of the IASB staff, or another appropriately qualified individual, to chair the Committee. The Chair has the right to speak to the technical issues being considered but not to vote. The Trustees, as they deem necessary, shall appoint as non-voting observers representatives of regulatory organisations, who shall have the right to attend and speak at meetings. Expenses of travel on Committee business shall be met by the IASC Foundation.
- 34 The Committee shall meet as and when required and nine voting members present in person or by telecommunications shall constitute a quorum: one or two IASB members shall be designated by the IASB and shall attend meetings as non-voting observers; other members of the IASB may attend and speak at the meetings. On exceptional occasions, members of the Committee may be allowed to send non-voting alternates, at the discretion of the Chair of the Committee. Members wishing to nominate an alternate should seek the consent of the Chair in advance of the meeting concerned. Meetings of the Committee shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the Committee's discretion.
- 35 Each member of the Committee shall have one vote. Members vote in accordance with their own independent views, not as representatives voting according to the views of any firm, organisation or constituency with which they may be associated. Proxy voting shall not be permitted. Approval of Draft or final Interpretations shall require that not more than three voting members vote against the Draft or final Interpretation.
- 36 The Committee shall:
- (a) interpret the application of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and provide timely guidance on financial reporting issues not specifically addressed in IASs and IFRSs, in the context of the IASB *Framework*, and undertake other tasks at the request of the IASB;
  - (b) in carrying out its work under (a) above, have regard to the IASB's objective of working actively with national standard-setters to bring about convergence of national accounting standards and IASs and IFRSs to high quality solutions;

- (c) publish after clearance by the IASB Draft Interpretations for public comment and consider comments made within a reasonable period before finalising an Interpretation; and
- (d) report to the IASB and obtain its approval for final Interpretations.

...

- 41 The Chief Executive [of the IASC Foundation] shall be responsible for the staffing of the IASB, which shall include a Director of Technical Activities appointed by the Chief Executive in consultation with the Trustees: the Director of Technical Activities, while not a member of the IASB, shall be entitled to participate in the debate but not to vote at meetings of the IASB and the International Financial Reporting Interpretations Committee.

## [Draft] Amendments to the Preface to International Financial Reporting Standards

- 1 The title of the *Preface* shall be amended to:

### **Preface to International Financial Reporting Standards and International Financial Reporting Interpretations**

- 2 Paragraphs 2, 18 and 19 of the *Preface* are amended as follows. In those paragraphs new text is underlined and deleted text is struck through. For convenience paragraphs 5 and 15 are also reproduced, but are not proposed for amendment.

2 The International Financial Reporting Interpretations Committee (IFRIC) comprises twelve voting members and a non-voting Chairman, all appointed by the Trustees. The role of the IFRIC is to prepare interpretations of IFRSs for approval by the IASB and, in the context of the *Framework*, to provide timely guidance on financial reporting issues ~~not specifically addressed in IFRSs~~. The IFRIC replaced the former Standing Interpretations Committee (SIC) in 2002.

- 5 At its meeting on 20 April 2001, the IASB passed the following resolution:

All Standards and Interpretations issued under previous Constitutions continue to be applicable unless and until they are amended or withdrawn. The International Accounting Standards Board may amend or withdraw International Accounting Standards and SIC Interpretations issued under previous Constitutions of IASC as well as issue new Standards and Interpretations.

When the term IFRSs is used in this *Preface*, it includes standards and interpretations approved by the IASB, and International Accounting Standards (IASs) and SIC interpretations issued under previous Constitutions.

- 15 Interpretations of IFRSs are prepared by the IFRIC to give authoritative guidance on issues that are likely to receive divergent or unacceptable treatment, in the absence of such guidance.

- 18 IFRSs are developed through an international due process .... Due process for projects normally, but not necessarily, involves the following steps (the steps that are required under the terms of the IASC Foundation Constitution are indicated by an asterisk\*):

...

- (f) publishing for public comment an exposure draft approved by at least ~~eight~~ nine votes of the IASB, including any dissenting opinions held by IASB members;\*

...

- (j) approval of a standard by at least ~~eight~~ nine votes of the IASB and inclusion in the published standard of any dissenting opinions;\* and

...

- 19 Interpretations of IFRSs are developed through an international due process that involves accountants, financial analysts and other users of financial statements, the business community, stock exchanges, regulatory and legal authorities, academics and other interested individuals and organisations from around the world. The IFRIC discusses technical matters in meetings that are open to public observation. The due process for each project normally, but not necessarily, involves the following steps (the steps that are required under the terms of the IASC Foundation Constitution are indicated by an asterisk\*):
- (a) the staff are asked to identify and review all the issues associated with the topic and to consider the application of the *Framework* to the issues;
  - (b) ~~study of national accounting requirements and practice and an exchange of views about the issues with national standard setters, including national committees that have responsibility for interpretations of national standards~~consideration of the implications for the issues of the hierarchy in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
  - (c) publication of a draft interpretation for public comment if no more than three IFRIC members have voted against the proposal;\*
  - (d) consideration of all comments received within the comment period on a draft interpretation;\*
  - (e) approval by the IFRIC of an interpretation if no more than three IFRIC members have voted against the interpretation after considering public comments on the draft interpretation;\* and
  - (f) approval of the interpretation by at least ~~eight~~ nine votes of the IASB.\*