



Australian Government

Australian Accounting  
Standards Board

AASB 9-10 February 2011  
Agenda paper 13.4

Level 7, 600 Bourke Street  
MELBOURNE VIC 3000  
Postal Address  
PO Box 204  
Collins Street West VIC 8007  
Telephone: (03) 9617 7600  
Facsimile: (03)9617 7608

10 January 2011

The Trustees of IFRS Foundation  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom

Dear Trustees

### **IFRS Interpretations Committee Review**

The Australian Accounting Standards Board (AASB) wishes to provide its comments on the effectiveness of the IFRS Interpretations Committee in meeting its objectives. This letter is accompanied by a completed IFRS Interpretations Committee Review Questionnaire.

The AASB considers the existing interpretations process to be functioning reasonably well and commends the Committee's efforts in interpreting the application of IFRSs that address financial reporting issues, particularly its involvement in the Annual Improvements process.

#### **The process of adding to or rejecting topics from the Committee's agenda**

The AASB does have some concern about the consistency of the basis used for determining which topics are added to the Committee's agenda. It is a mark of some success for the Committee that it now is quite difficult to know whether any topic needs an interpretation. Indeed, the world has been weaned off the expectation that interpretations will answer their concerns and now expects to use its judgement. However, it sometimes is hard to see why some issues have been accepted and others rejected.

The rejection of issues is sometimes regarded as a quasi interpretive process. Nevertheless, we believe that it has had a very good practical effect, limiting the number of interpretations.

The AASB considers that there is still some ambiguity around the status of the records of items not taken onto the agenda. It may need to be reinforced that they are not GAAP.

More communications may provide some clarity about the process followed and may assist others to appreciate the consistency achieved in determining the Committee's agenda.

#### **The Committee's role in the Annual Improvements process**

On first adopting IFRS, the AASB sought a number of interpretations from the IFRIC. With the benefit of hindsight, many of these are now generally adequately dealt with in the IFRSs themselves, whilst others have been adequately addressed in the Annual Improvements process.

Furthermore, the AASB has its own interpretations capability, but since adopting IFRSs has found the need to use that capability only once in respect of a narrow issue that emanates from domestic tax law. The AASB therefore considers there is a limited need to interpret the application of IFRSs and questions whether the Committee's role in issuing Interpretations should remain as its primary focus. This may be hard to judge until after the current changes in IFRS are bedded down, but we do think the question should be considered.

Instead, the AASB believes that the Committee's time and effort might well be better invested in reviewing proposed improvements to IFRSs and making recommendations to the IASB as part of the Annual Improvements project. The AASB considers this role to be now the Committee's most effective role. This has been evident of late with a range of issues being suitably addressed in the Annual Improvements process.

#### **Interaction with National and Regional Standard-setters**

The protocols that have been developed for domestic standard-setters, to test out issues among themselves before approaching the Committee, have proved fruitful. Some issues have been resolved at that level and others have been vetted in a manner that has assisted the Committee or the Board.

We believe that some consideration should be given to formalising that process.

#### **Linkage to Board**

The Committee benefits from the presence of Board members at meetings. However, the role of the Chairman has varied between being the responsibility of the Director of Technical Activities, a current Board member and now an ex Board member. We believe that a current Board member should chair the Committee and that this should be ongoing policy. This is especially true as improvements become more of the focus, as it is critical that the Chair be immersed in the variety of standards being set and amended. It also adds to the credibility of the Committee and its relationship with the Board.

If you have any queries regarding any matters in this submission, please contact me or Mischa Ginns ([mginns@aab.gov.au](mailto:mginns@aab.gov.au)).

Yours sincerely



Kevin M. Stevenson  
*Chairman and CEO*

**IFRS Interpretations Committee Review**

**Questionnaire to be completed by all external stakeholders interested in the IFRS Interpretations Committee, including IASB Members, IFRS Advisory Council members, External Observers, national standard setters and all other interested parties.**

**Name** The Australian Accounting Standards Board (AASB)  
(All responses will remain confidential.)

**Background:**

Please tick () the appropriate box that best describes your background:

- User
- Preparer
- Auditor
- Regulator
- Academic
- Other (please explain)

Please indicate the geographic region in which you are located by ticking () the appropriate box:

- Asia/Oceania
- Europe
- North America
- Africa
- South America
- International

## IFRS Interpretations Committee Review

**Purpose:** To assist the Trustees of the IFRS Foundation conduct a review of the effectiveness of the IFRS Interpretations Committee as part of its monitoring of the IFRS Foundation. This questionnaire provides for a performance evaluation of the efficiency and effectiveness of the Interpretations Committee in achieving its objectives and to offer suggestions to improve its operations.

The assessment covers the accomplishments of the Committee. It is not an assessment of the performance of individual Committee members.

**Process:** This questionnaire employs the following rating graduation:

1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

**For all items rated as 3 or 4, it is important that each such rating is supported by comments identifying the areas needing improvement and suggested improvements.** However, we strongly encourage respondents to provide comments on all aspects of performance. We would also appreciate comment if you are uncertain, do not know the answer to the question, or feel the answer is not applicable.

Responses will be analysed by staff of the IFRS Foundation and a summary will be circulated to the Trustees. The Trustees will issue a final report in the first half of 2011 and this will be sent to all respondents. It will also be placed on the Foundation's website. The Chairman will make a full report to the Interpretations Committee and time will be made available during the relevant Committee meeting for discussion of the results.

**Timing:** Respondents are asked to complete this form electronically and return it to [interpretations-comm@ifrs.org](mailto:interpretations-comm@ifrs.org) by **31 January 2011**. Individual responses will remain confidential and will not be published.

## IFRS Interpretations Committee Review

### Objectives and Scope of Activities of the Interpretations Committee

The objectives of the Committee as set out in the Constitution are.

- To interpret the application of IFRSs and provide timely guidance on financial reporting issues not specifically addressed in IFRSs, in the context of the IASB's Framework, and to undertake other tasks at the request of the IASB<sup>1</sup>.
- The other tasks include reviewing and making recommendations to the IASB of items for inclusion in the Annual Improvements process, and review of comment letters received and making recommendations on the finalisation of those Annual Improvements.

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
1.	The Committee's stated objectives and scope of activities are appropriate to assist the IFRS Foundation and the IASB in meeting the objective of promoting the use and rigorous application of IFRSs.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	The Committee understands its objectives and how these link with those of the IFRS Foundation and the IASB. This is reflected in the functioning of the Committee.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	The Committee's activities appropriately reflect its objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	The Committee's experience and expertise are being efficiently and fully utilised by the IASB.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Comments on Objectives and Scope of Activities of the Interpretations Committee

The AASB considers there a limited need to interpret the application of IFRSs by issuing Interpretations and believes that the Committee's time and effort might well be better invested in its other roles, such as the Committee's involvement in reviewing proposed improvements to IFRSs and making recommendations to the IASB as part of the Annual Improvements project. The AASB considers this role to be now the Committee's most effective role. This has been evident of late with a range of issues being suitably addressed in the Annual Improvements process.

<sup>1</sup> Paragraph 43 of the IFRS Foundation's Constitution.

## IFRS Interpretations Committee Review

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							
#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<b>Membership</b> Committee members are appointed by the Trustees. The members of the Committee are selected so as to represent the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRSs and analysis of financial statements prepared in accordance with IFRSs.							
5.	The Committee has a sufficiently broad range of collective expertise, experience and geographical balance to ensure its effective and efficient operation. The Committee membership achieves an appropriate balance of backgrounds and experience.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	The size of the Committee is appropriate to achieve diversity of experience and background without being too large.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Comments on Membership of the Interpretations Committee</b> <b>The AASB considers the membership group a good mix of individuals.</b>							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

## IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<b>Operating Procedures</b>							
The Committee generally meets six times each year for one and a half days. Meetings are open for public observation (except for administrative matters).							
7.	Committee meetings are efficient and effective in terms of:						
	(a) Frequency.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Length.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Geographical location (London).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(d) Quality of agenda material.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(e) Quantity of agenda material.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(f) Timely provision of agenda materials (observer notes).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	There is high quality participation and interaction in the discussion by Committee Members in reaching consensus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Committee meetings are productive and achieve their full potential	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	The Committee is optimally placed to meet the future demand of stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b>							

## IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p><b>Comments on Operating Procedures of the Interpretations Committee</b></p> <p>Some Committee meeting discussions tend to be dominated by some Committee members and therefore lack active participation and involvement by other Committee members in expressing their views.</p>							
<p><b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b></p>							
<p><b>Agenda Criteria</b></p> <p>The criteria for the Committee to address an issue by issuing an Interpretation are as follows:</p> <p>(a) <i>The issue is widespread and has practical relevance</i></p> <p>(b) <i>The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice). The Committee will not add an item to its agenda if IFRSs are clear, with the result that divergent interpretations are not expected in practice.</i></p> <p>(c) <i>Financial reporting would be improved through elimination of the diverse reporting methods.</i></p> <p>(d) <i>The issue can be resolved efficiently within the confines of existing IFRSs and the Framework, and the demands of the interpretation process.</i></p> <p>(e) <i>It is probable that the Committee will be able to reach a consensus on the issue on a timely basis.</i></p> <p>(f) <i>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 Committee will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the Committee requires to complete its due process.</i></p>							
11.	The Criteria for the Committee's interpretative agenda are appropriate and adequate.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	The Agenda Criteria are applied appropriately and consistently.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p><b>Comments on Agenda Criteria</b></p> <p>The AASB is concerned about the consistency of the basis used for determining which topics are added to the IFRS Interpretations Committee's agenda and which topics are rejected. More communications may provide some clarity about the process followed and may assist others to appreciate the consistency achieved in determining the Committee's agenda.</p>							
<p><b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b></p>							
<p><b>Outputs from the Committee</b></p> <p>The Committee addresses issues by:</p> <p>(a) issuing IFRIC interpretations</p> <p>(b) proposing issues to the IASB for inclusion in Annual Improvements</p> <p>(c) making recommendations for the IASB to address an issue in some other way, for example inclusion in an existing IASB project or consideration in a post-implementation review</p> <p>(d) issuing an agenda decision not to address an issue through one of the above routes. Agenda decisions for issues considered for an Interpretation are published for public comment for 30 days before being finalised.</p>							
13.	The Interpretations issued and Annual Improvements proposed meet the needs of the IASB and the IFRS Foundation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	The Interpretations issued are effective (their number, frequency and content) in meeting the needs of constituents	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	The Annual Improvements issued are effective (their number, frequency and content) in meeting the needs of constituents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	Agenda decisions are issued when the Committee decides not to take an issue onto its agenda. Some of these agenda decisions do not propose any						

## IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
	further action. The content of such agenda decisions is appropriate and sufficient when:						
	(a) the Committee believes the Standards provide sufficient guidance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) the Committee is unable to reach a consensus	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	The consultative due process for agenda decisions is appropriate and sufficient	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Comments on Outputs from the Committee</b></p> <p>The AASB considers the interpretation of IFRSs generally adequately dealt with in the IFRSs themselves, whilst others have been adequately addressed in the Annual Improvements process.</p>							
<p><b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b></p>							
<b>Communications</b>							
18.	The Committee's communications are optimal and effective (IFRIC Update and post-meeting podcast)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.	When appropriate, the Committee and/or the Committee staff liaises effectively with other similar interpretations bodies and National Standard Setters.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.	The Committee's activities are sufficiently transparent to stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p><b>Comments on Communications</b></p> <p>More communications may provide some clarity about the Committee's activities.</p> <p>With regard to the interaction with National and Regional Standard-setters, the protocols that have been developed for domestic standard-setters, to test out issues among themselves before approaching the Committee, have proved fruitful. Some issues have been resolved at that level and others have been vetted in a manner that has assisted the Committee of the Board. The AASB believes that some consideration should be given to formalising that process.</p>							
<p><b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b></p>							
<b>Leadership</b>							
21.	Please rate the effectiveness of the Chair.						
	(a) Discussions are at the appropriate level of detail.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Discussions are focused on the right issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Issues are identified and deliberated in a timely and effective manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p><b>Comments on Leadership</b></p> <p>The Committee benefits from the presence of Board members at meetings. However, the role of the Chairman has varied between being the responsibility of the Director of Technical Activities, a current Board member and now an ex Board member. We believe that a current Board member should chair the Committee and that this should be ongoing policy. This is especially true as improvements become more of the focus, as it is critical that the Chair be immersed in the variety of standards being set and amended. It also adds to the credibility of the Committee and its relationship with the Board.</p>							
<p><b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b></p>							
<p><b>Interaction with the IASB</b></p> <p>The designated Board observers are (from July 2010) Philippe Danjou, Amaro Gomes, Patricia McConnell and Wei-Guo Zhang . They are encouraged primarily to listen and to provide Board Member perspectives on issues being discussed rather than participate in the debate. The Director of Implementation Activities provides an oral update to the IASB after each Interpretations Committee meeting.</p>							
22.	The Committee interfaces effectively with the IASB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.	The IASB responds effectively to the IFRS Interpretations Committee's recommendations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b></p>							

### IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<b>Comments on Interaction with the IASB</b>							
<b>Overall evaluation</b>							
24.	Overall, the Committee is achieving its stated objectives and scope of activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</b>							

## IFRS Interpretations Committee Review

**Comments:**

Please list the three aspects of Committee's activities that, in your opinion, are working best.

As mentioned in the sections above, the AASB considers the Committee's most effective role to be its involvement in the Annual Improvements process.

Please list the three aspects of Committee's activities that, in your opinion, are in the most need of improvement.

The AASB considers the following aspects of the Committee's activities in the most need of improvement:

- the consistency of the basis used for determining which topics are added to the Committee's agenda and which topics are rejected;
- the ambiguity around the status of agenda rejection statements; and
- the involvement of all Committee members in expressing their views in meetings, rather than discussions being dominated by some Committee members.

Do you have any suggestions on improving the process of assessing the Interpretations Committee?

Refer to the comments in the sections above.

General comments: use this space for any general comments that you may have.

Please refer to a letter from the AASB, dated 10 January 2011, which accompanies this questionnaire.