

April 28, 2014

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

Dear Hans:

International Forum of Accounting Standard Setters: New Delhi, 6-7 March 2014

We were extremely pleased with the IASB member and staff attendance and participation at this meeting. Most of the topics engendered excellent discussion, and in my view this was a very successful meeting. We were gratified that Ian attended the whole meeting and, together with the other IASB representatives, participated very actively. As you can see from the list of attendees in the attached meeting report, participants from an increasing number of jurisdictions are taking the time to attend our gatherings.

From a personal perspective, I think our biggest accomplishment was reaching a consensus to support a revised draft of a new partnership agreement between the IASB and IFASS participants (*Charter – The IASB and other accounting standard setters*) and a Charter for IFASS itself. Final editorial changes were made to both documents after the meeting and the Australian ASB revised the previously supported *A Model for National Standard-Setters* to be consistent with the Charter. Copies of all three documents are included with this letter. IFASS participants and Ian representing the IASB agreed that they should be posted on the IASB website to replace the existing *Statement of Best Practice*. Although we are committed to reviewing them in the light of experience, we are confident that they will serve all of us as well as the previous agreement. Particular thanks to Ian and Alan for all their help throughout the process of completing the revision.

The following is a summary of the more significant points that emerged from the discussions. I am also attaching a copy of the full meeting report to provide more background.

IASB Work Plan and IFRS Foundation Developments

A representative from Canada and Alan Teixeira provided a high-level update on the projects listed in the IASB Work Plan and other noteworthy matters.

Representatives continue to express concerns about the IASB's interpretation and implementation guidance. These are listed in paragraph 1.5 of the meeting report. Some complained about the number of requests for information from the IASB and the IFRIC and others said that IFRIC is not dealing with enough issues.

In summary, national standard setters want to be kept in the loop. However, they would also like to know who else is being contacted by IFRIC on a particular issue, such as the International Organisation of Securities Commissions and the global accounting firms. Questions to stakeholders should be clear and unambiguous and should focus on whether an issue is prevalent in the jurisdiction and if there is diversity in its treatment. Proportionality should be kept in mind. If the answer to a concern is obvious and does not require IFRIC's attention, stakeholders should be so advised without delay. It seems that there is a need to add procedures to the IASB/IFRIC tool kit to deal adequately with issues that fall between, respectively, annual improvements (as that process has now been interpreted) and narrow amendments of standards, standards amendments and interpretations, and interpretations and broad projects. You might like to consider these suggestions before the IASB's 2015 agenda consultation process.

You will also note that a representative from EFRAG offered to prepare proposals for the IASB's consideration prior to the 2015 agenda consultation process.

Report back on IFASS member projects

Bulletin – Role of the Business Model in financial reporting

Participants agreed with the concept of the business model and that standard setters should think about this model when setting standards. However, there was considerable diversity in views on whether the concept should be included separately in the conceptual framework.

Goodwill impairment and amortisation

Conflicting views were expressed as to whether even purchased goodwill should be recognized as an asset and whether should be amortised if it is not impaired. Participants agreed that this is a worthwhile project and that discussion should continue at IFASS's next meeting.

Updates on Major Agenda Projects

Breakout sessions

Breakout sessions led by IASB staff were held on the topics of leases, financial instruments and the disclosure initiative. We are continuing to solicit feedback from participants on our use of breakout sessions. We will contact the IASB staff as well to ensure that they found that the sessions provided them with useful input.

Topical Issues

Macro hedging

The representative from the Australian standard setter presented a paper on a new approach to accounting for open portfolios. IFASS will discuss this topic at its next meeting at the end of September 2014 (which will likely coincide with the close of the comment period on the IASB's Discussion Paper on macro hedge accounting).

The equity method: A measurement basis or one-line consolidation

The EFRAG Chairman delivered a presentation on matters related to the equity method, stating that the meaning of the equity method is unclear. Alan Teixeira agreed with the presenter and said that the IASB hopes to discuss issues related to the equity method with ASAF in June 2014.

I suggested that it might be worthwhile for the IASB to do outreach with users of financial statements with after-tax equity-pick-up amounts, asking if they believe these amounts are a measure of income or represent a form of consolidation. Maybe the IASB should consider a short-term project to decide what the equity method is and a longer-term project to decide who should apply the method.

Reports from Regional Groups

As usual, reports were received on the activities of the Asian-Oceanian Standard Setters Group (AOSSG), EFRAG, the Group of Latin American Standard Setters and the Pan African Federation of Accountants.

The AOSSG Chairman stated that concern exists that the IASB is not convinced that it should be addressing accounting for Islamic organisations. Ian commented that the IASB has formed a committee to address the question of accounting under Sharia law. He said he would ensure that relevant jurisdictions are made aware of the formation of the Committee.

The Chairman of EFRAG said she would report back to IFASS at its next meeting on developments regarding Philippe Maystadt's report entitled, *Should IFRS Standards be more "European"?*

New IFASS Member Projects

The statement of cash flows

A representative from the U.K. standard setter discussed the U.K. Financial Reporting Council's project on cash flows to increase the understanding of the use and limitations of reporting cash flow, and develop proposals for improvement. Participants agreed that this is a timely project. A

representative from the FASB said it is essential to investigate what users want from the cash flow statement, which has become so convoluted that it is less useful than it could be.

Complexity of the annual report

The EFRAG Chairman commented on reports from stakeholders that financial statements have become too complex to the detriment of users' understanding of those statements. She said that complexity often gives rise to non-GAAP financial indicators and that standard-setters need to require the disclosure of sufficient information to avoid preparers presenting these measures.

It was suggested that the IASB might consider including an implementation chapter in the conceptual framework to discuss cost/benefit issues and the process to be followed for developing good standards.

The use of information by capital providers

A representative from EFRAG said that retail investors generally use information provided by institutions and brokers rather than financial statements. On the other hand, institutional investors use the financial statements as part of a bigger package. Alan said that the presentation would be very helpful to the IASB and asked that the staff be kept informed as the project proceeds.

Next Meeting

The next IFASS meeting will be held in London on September 30 and October 1, 2014 in conjunction with the next meeting of the World Standard Setters, so that we can co-ordinate and streamline the meeting agendas. Thereafter, IFASS will meet in Jordan on 23-24 March 2015, prior to the ASAF meeting on 26-27 March.

Please let me know if you have any questions or comments.

Best regards,



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