

# A Model for National Standard-Setters

## Introduction

### *Purpose*

- 1.1 This Model for National Standard-Setters (NSSs) is designed to provide a basis for a NSS to maximise its contribution to the quality of general purpose financial reporting, particularly through participation in the development of high-quality global accounting standards issued by the International Accounting Standards Board (IASB). This is consistent with the public interest role of a NSS (and the IASB<sup>1</sup>) that is aimed at serving users of financial reports in their economic decision-making.
- 1.2 The mandates of NSSs vary and NSSs are at different stages of development. This Model could be used as a basis for improving or setting up standard-setting capacity through a NSS (in terms of status, structure, means and resources) in a way that suits its mandate, legal, institutional and economic environment to act in the public interest.
- 1.3 Accordingly, this Model sets out concepts that should underlie the activity of accounting standard-setting and the key characteristics to which:
  - (a) standard-setters might aspire; and
  - (b) parties with a NSS oversight function could choose to refer in making decisions about, or evaluating the activities of, a NSS.
- 1.4 This Model does not purport to describe current practices adopted by NSSs. This Model will be revised from time to time on the basis of the experience of NSSs working with it, and as expectations of NSSs evolve. The Model is written primarily for NSSs in jurisdictions that are committed to the adoption of IFRS for publicly accountable entities (see paragraph 1.9 below). However, it is also intended to be useful for NSSs in jurisdictions that have not yet committed to adopting IFRS or have standard-setting authority that extends to entities that are not currently addressed by the IASB. Furthermore, it might be useful for other bodies involved in the standard-setting process, such as bodies that monitor, fund or oversee NSSs, or bodies that assess IFRS for adoption in their jurisdiction for the purposes of making recommendations to the legislature.
- 1.5 Not all NSSs are established with the powers and resources to achieve some or all aspects of this Model. Accordingly, aspects of this Model might be adopted

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1 Paragraph A1 of the [Report of the IFRS Foundation Trustees' Strategy Review IFRSs as the global standard: Setting a strategy for the Foundation's second decade](#) (February 2012), states: "... the IASB should develop financial reporting standards that provide a faithful portrayal of an entity's financial position and performance in its financial statements. Those standards should serve investors and other market participants in making informed resource allocation and other economic decisions. The confidence of all users of financial statements in the transparency and integrity of these statements is critically important for the effective functioning of capital markets, efficient capital allocation, global financial stability and sound economic growth."

incrementally, although on some aspects desirable minimum characteristics of a NSS are identified.

- 1.6 To varying degrees, all NSSs could improve in relation to most of the aspects identified in this Model. Accordingly, as circumstances permit, a NSS should strive to achieve the ideals in the Model, and might use the Model as a basis for obtaining resources for standard-setting activities. This Model is intended to be generic in nature in the sense that a NSS would need to evaluate the feasibility of, and timing associated with, implementing the aspects identified in this Model in the context of its own particular circumstances.
- 1.7 The interrelationship between this Model and the Charter: The IASB and other accounting standard-setters *Working together to develop and maintain global financial reporting standards* ('the Charter') means that any future revision of one of these documents might provide insights into the revision of the other. For example, any revisions to the manner in which emerging issues are identified and dealt with as described in paragraphs 5.21 and 5.25 of this Model could lead to revisions to the comments about the Implementation of IFRS in the Charter.
- 1.8 To the extent feasible, this Model and the Charter should be consistent, while acknowledging that the Model is aspirational and the Charter is focused on best practice for NSSs given their current capacity.

### ***NSS context***

- 1.9 Different NSSs are at different stages of adopting IFRS for publicly accountable entities, including:
  - (a) bringing local GAAP into closer alignment with IFRS, with a view to adopting IFRS at some unspecified date in the future;
  - (b) preparing for adoption of IFRS from a specified future date; or
  - (c) having adopted IFRS.<sup>2</sup>

NSSs are encouraged to adopt/endorse IFRS without 'carve outs'.

- 1.10 As indicated in paragraph 1.1, this Model presumes that the public interest is a unifying focus of all NSS (see paragraphs 4.3 to 4.5), which is consistent with the objectives in the Constitution under which the IASB effectively operates.<sup>3</sup> Furthermore, this Model presumes that there is sufficient commonality between the public interest at the local and global levels such that pursuit of global public interest is consistent with local public interest.

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2 A jurisdiction might have adopted IFRS with additions or 'carve outs', for example, where there is currently a potential conflict with jurisdictional legal requirements imposed on a NSS. In this respect, see Section 6 of this Model on Relationships with others in the regulatory framework.

3 [IFRS Foundation Constitution \(January 2013\)](#) – see, in particular, paragraph 2(a)

1.11 A NSS forms a key part of the financial reporting regulatory framework within its jurisdiction. Irrespective of the stage of IFRS adoption that a jurisdiction has reached, a NSS's activities, together with the IASB's activities where relevant, might include<sup>4</sup>:

- (a) undertaking research that is of interest to a range of jurisdictions;
- (b) seeking input from local or regional stakeholders (including users, preparers, auditors and regulators) and ascertaining their needs, and communicating the findings to the IASB;
- (c) facilitating IASB outreach activities in a jurisdiction or region;
- (d) disseminating information from the IASB to local or regional constituents and providing feedback to the IASB;
- (e) translating IFRSs into a local language;
- (f) educating constituents on matters relating to financial reporting;
- (g) incorporating IFRS, or advising on or endorsing the incorporation of IFRS, into the local regulatory framework;<sup>5</sup>
- (h) promoting the rigorous application of IFRS in a jurisdiction or region;
- (i) identifying implementation issues from a range of stakeholders' perspectives, and providing feedback to the IASB if necessary, or producing local guidance if the issues are jurisdiction-specific;
- (j) undertaking effect analyses and post-implementation reviews;
- (k) developing and maintaining relationships with local regulators: and
- (l) setting accounting standards for entities within the NSS's jurisdiction before IFRS is adopted or for entities outside the scope of IFRS once it is adopted.

These roles have the potential to enhance the quality of accounting standards and therefore financial reporting. Many of these, and other, roles are discussed in the remaining sections of this Model.

### ***Structure of this Model***

1.12 This Model is structured around the following aspects of a NSS:

- (a) focus/objective;
- (b) subject entities;
- (c) qualitative characteristics;
- (d) due process; and
- (e) relationships with others in the regulatory framework.

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4 These roles are consistent with the roles of NSSs described in the [Charter: The IASB and other accounting standard-setters Working together to develop and maintain global financial reporting standards](#) (issued April 2014).

5 This may be done at a national level or at a regional level with a NSS making an indirect contribution to this activity in concert with other NSSs.

- 1.13 Where relevant, the following discussion includes consideration of the IASB context, prior to providing a NSS perspective.

## Focus/Objective

### *IASB context*

- 2.1 The IASB's *Conceptual Framework* focuses on general purpose financial reporting, and IFRS aim to result in information useful to those who are unable to command the particular information they need for decision making.<sup>6</sup>
- 2.2 The IASB's objectives focus on financial reporting for users in capital markets making economic decisions. To date those objectives have been typically read as relating only to private sector reporting entities.<sup>7</sup>

### *NSS context*

- 2.3 The focus and objective of a NSS generally depend on the mandate it has in its jurisdiction and the resources it has available. Accordingly, a NSS might focus exclusively on private sector for-profit entities<sup>8</sup> or have a broader focus also covering entities in other sectors.<sup>9</sup>
- 2.4 Subject to its mandate, a NSS may choose to take a leadership role in exploring the horizons of accounting standard-setting and potentially go beyond the conventional areas of activity.
- 2.5 References to 'constituents' and to 'users' in this Model should be read in the context of the mandate of each NSS, unless the terms are used in the context of the IASB's current focus.

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6 *The Conceptual Framework for Financial Reporting* (2010), paragraphs OB1-OB5.

7 The [Report of the IFRS Foundation Trustees' Strategy Review IFRSs as the global standard: Setting a strategy for the Foundation's second decade](#) (February 2012) also makes clear that the IASB's scope of activities is currently private sector entities – see, in particular, paragraph A4. It is relevant to note that the IASB and IFAC have entered into a [Memorandum of Understanding](#), announced on 22 November 2011, in which they agree to strengthen their co-operation in developing private and public sector accounting standards.

8 References to private sector for-profit entities in this Model are to non-governmental private entities, including publicly-traded and non-publicly-traded private entities. References to public sector entities are to governments and entities controlled by governments.

9 The IASB's mandate includes private sector for-profit and private sector not-for-profit entities.

## Subject entities

### *IASB context*

- 3.1 The IASB is unable to require entities to prepare financial reports or apply IFRS. That is a matter for local or regional jurisdictions.
- 3.2 The IASB has made it clear that general purpose financial statements of publicly accountable entities should be prepared using (full) IFRS and that general purpose financial statements of non-publicly accountable entities may be prepared using the *IFRS for SMEs*. This Model is intended to apply whether or not a jurisdiction adopts IFRS or the *IFRS for SMEs*, because this Model is concerned with standard-setting as an activity.

### *NSS context*

- 3.3 Like the IASB, many NSSs provide the standards that are then required to be applied by another authority, often through legislation, with compliance regulated by authorities such as a securities commission.
- 3.4 However, a NSS is often involved in helping to determine the entities that use its standards. A NSS has a role in maintaining the reputation of its standards and, by implication, determining the use of its standards, for example, through consultation with regulators (see section 6).
- 3.5 A NSS might also adopt or produce distinct sets of reporting standards that cater to the needs of non-publicly accountable entities that prepare general purpose financial statements. If applicable to the assessed needs of the NSS jurisdiction, the NSS may use the *IFRS for SMEs* directly as a basis for developing those other sets of reporting standards.
- 3.6 In addition, a NSS might adopt or produce sets of standards for application by not-for-profit entities in the private or public sectors. Such a NSS could consider using IFRS or International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC)<sup>10</sup> directly or as the foundation for those sets of standards.

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<sup>10</sup> Currently there are two sets of international accounting standards – one issued by the IASB (with a focus on for-profit entities) and one issued by the IPSASB (with a focus on not-for-profit public sector entities). The two sets overlap considerably as many IPSAS are drawn primarily from IFRS. The particular circumstances of a NSS's jurisdiction will determine whether users of financial statements of not-for-profit entities, whether in the public or private sectors, are best served through accounting standards based on IFRS or IPSAS or some other basis. As noted in the footnote to paragraph 2.2, the IASB and IFAC have entered into a [Memorandum of Understanding](#), announced on 22 November 2011, in which they agree to strengthen their co-operation in developing private and public sector accounting standards.

## **Qualitative characteristics**

- 4.1 A NSS should aspire to the following fundamental qualitative characteristics:
- (a) acting in the public interest and being neutral and objective;
  - (b) independence;
- and the following enhancing qualitative characteristics:
- (c) competence;
  - (d) effectiveness; and
  - (e) efficiency.
- 4.2 In relation to these characteristics, it is notable that the themes of public interest and independence pervade the IFRS Foundation Constitution, and that the other characteristics are among the criteria for IASB members included in that Constitution (also see footnote to paragraph 4.9).

### ***Acting in the Public Interest and being Neutral and Objective***

- 4.3 High-quality accounting standards serve the public interest. They focus on the needs of users who require high-quality general purpose financial reports to reduce their information risk. They help protect the interests of investors through transparency, encourage the creation and development of capital markets, and facilitate efficient resource allocation in both the private and public sectors (depending on the mandate of the NSS).
- 4.4 Accordingly, NSSs should aim to be neutral and objective in serving legitimate user needs; for example, in developing proposals and dealing with stakeholders' comments on those proposals, which should be based on genuine concern for the usefulness and costs and benefits associated with proposals. That will involve a NSS having a responsive due process (see section 5 below) in order to obtain sufficient information to enable it to make an objective assessment.
- 4.5 NSSs should avoid being an instrument of other policy objectives that conflict with the objective of general purpose financial reporting. For example, the main role of a NSS would not normally be setting standards for the preparation of special purpose financial statements that another regulator, such as a prudential regulator, could demand and that contain information tailored to that regulator's particular needs.

### ***Independence***

- 4.6 An independent NSS is one that is able to act credibly in the public interest and approach topics in a neutral manner in pursuit of the objective of general purpose financial reporting, rather than other objectives that may be driven by vested interests. The 2009 recommendations of the Financial Crisis Advisory Group (FCAG) emphasised the importance to the financial system of a credible,

independent standard-setter.<sup>11</sup> Although the FCAG's focus was on the IASB and Financial Accounting Standards Board (FASB), the same issues of credibility face all NSSs.

- 4.7 Ideally, a NSS is established as an organisation that is independent of the entities for which it sets standards. However, in conducting its activities, a NSS will have relationships with entities and parties who might be regarded as having a vested interest in the outcomes of the standard-setting process, such as professional accounting bodies, preparer representative groups, auditors or governments. This is because they are key sources of a NSS's information and may also be the providers of resources (including funding, staff secondments and volunteer board members).
- 4.8 Nevertheless, those relationships should not be allowed to compromise the independence of a NSS. A NSS should document and implement policies and procedures that set out responsibilities and accountabilities that help ensure it remains independent in its decision-making and is seen to remain independent, despite receiving inputs or resources from key constituents. The NSS might generate those policies and procedures itself or it may be done through an oversight body. A number of the remaining sections of this Model deal with different aspects of these responsibilities and accountabilities.
- 4.9 Members of NSS boards should be appointed for their competence, [including technical competence (see paragraphs 4.11 to 4.13), analytical ability, communication skills, judicious decision-making and awareness of the financial reporting environment] and not on the basis that they are the representatives of any particular constituency.<sup>12</sup> The range of skills needed on a board will often involve drawing on qualified members from particular constituencies.
- 4.10 A NSS's oversight body, if there is one, should be independent of the NSS's technical decision-making. That would not preclude some linkage between the oversight body and the NSS (for example, the NSS Chair might be a member of the oversight body and assist in keeping its knowledge of the NSS up-to-date).

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11 "To develop standards that are high quality and unbiased, accounting standard setters must enjoy a high degree of independence from undue commercial and political pressures," ([Report of the Financial Crisis Advisory Group, July 2009](#), page 2). The [Exposure Draft of IFAC Policy Position Paper #4 A Public Interest Framework for the Accountancy Profession \(November 2010\)](#) also emphasises the significance of independence for standard setters (among others).

12 The [IFRS Foundation Constitution \(January 2013\)](#) criteria for IASB members are demonstrated technical competence and knowledge of financial reporting, ability to analyse, communication skills, judicious decision-making, awareness of the financial reporting environment, ability to work in a collegial atmosphere, integrity, objectivity and discipline, and commitment to the IFRS Foundation mission and to the public interest [Annex, Criteria for IASB members].

### *Competence*

- 4.11 Standard-setting involves bringing together concepts, precedent, practice and change-management. It requires knowledge (of the literature, practice, industries, regulation and economics, finance, government and many other matters), technical skills, rigour and strategic planning. It is unlikely that individuals with all of those attributes are to be found and so a NSS usually has members with a blend of skills and backgrounds, including in standard-setting itself. A NSS is often supported by professional staff (who can be topic specialists or standard-setting generalists) and by advisory panels and consultative groups.
- 4.12 In order to acquire and retain competent people over the long term, a NSS should provide opportunities for ongoing education and training. Staff skills can be updated and developed through a variety of means, including rotation, secondments, staff exchanges, careful project management and by providing or assisting with a career path.
- 4.13 A NSS should also seek to access the expertise of academics and other researchers and be a positive influence on the teaching of skills related to financial reporting.

### *Effectiveness*

- 4.14 A NSS should be aware that financial crises and corporate failures tend to re-focus attention on financial reporting and financial reporting's significance in helping to maintain confidence in the world financial system. To be effective, a NSS needs to respond appropriately to issues highlighted by such circumstances.
- 4.15 To the extent that a NSS's role involves effectively disseminating information from the IASB to local constituents and incorporating IFRS into the local regulatory framework, a NSS should work together with the IASB in communicating complex ideas to help ensure that they are readily understandable by constituents. This could involve providing a local context to help local understanding, such as identifying the types of entities or transactions that the NSS expects to be affected by particular IFRS requirements. A NSS should explain its aims and processes so that they are clear in the circumstances of its constituents, who may otherwise not appreciate why standard-setting in general can be complex and difficult to understand, and how it relates to their circumstances.
- 4.16 A NSS should carry out those projects that will be effective in improving financial reporting for users, whether at a jurisdiction level or together with the IASB. In respect of the latter, a NSS should have regard to its comparative advantage in certain areas as a means of maximising its effectiveness. For example, NSSs in jurisdictions with a high level of mining activity, agricultural activity or research and development activity are in an ideal position to inform the IASB of accounting issues and help develop possible global solutions in those areas.



- 4.17 Furthermore, a jurisdiction might be more effective on some projects when it works through a regional standard-setting body that is working on a particular project. In this regard, some of the regional standard-setting bodies have established topic-based working groups of member NSSs through which issues are considered.

### *Efficiency*

- 4.18 Standard-setting processes, and the pace at which they take place, need to be commensurate with the challenges to be addressed. Stakeholders may, without adequate explanation, question the apparent speed, or lack of a NSS's speed, when acting to resolve controversial issues and achieve change, particularly when new transactions emerge or a financial crisis highlights apparent weaknesses in financial reporting. NSSs should aim to inform their constituents about the need for, and level of urgency of, change (whether because of improvements in standards or responses to economic circumstances) and the relevant processes for achieving that change.
- 4.19 A NSS should also aim to inform its constituents about the nature of global standard-setting to explain its response times on issues of interest (for example, when national GAAP is linked with IFRS and a NSS feels unable to act unilaterally on an issue).
- 4.20 A NSS should manage its resources carefully and engage in the most efficient manner possible with the IASB to facilitate high-quality global solutions to financial reporting issues. This may include harnessing resources from outside the NSS (for example, from academia) to engage in research that assists the standard-setting process in areas such as post-implementation reviews. It may also include NSS staff secondments to the IASB (see also paragraph 4.12) – which can provide an efficient way to forge links between a NSS and the IASB, and among NSSs. Such links help to extend and strengthen networks of useful contacts among staff at NSSs and the IASB.
- 4.21 Efficiency also involves a NSS helping constituents to manage the pace of change. For example, when a jurisdiction adopts IFRS by incorporating them into local law, it should do so as soon as feasible as new and revised IFRS are issued. That may involve compiling standards for application at a particular date that suits the local jurisdiction, or translating them into a local language on a timely basis.
- 4.22 In dealing with emerging issues, a NSS can leverage its resources by working cooperatively with other NSSs (including regional bodies where appropriate) and achieve outcomes in a more effective and efficient manner than if it works in isolation. This may, for example, involve NSSs jointly producing issues papers for the IASB to consider, for example, through the International Forum of Accounting Standard Setters (IFASS) or the Accounting Standards Advisory Forum (ASAF), either as an IFASS participant or ASAF member, or as a member of a regional standard-setting body.<sup>13</sup>

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13 The ASAF is an advisory group to the IASB, consisting of NSS and regional bodies with an interest in financial reporting. The principal purpose of the ASAF is to provide technical advice and feedback to the IASB.

[http://www.ifrs.org/The-organisation/Advisory-bodies/Pages/Accounting-Standards-Advisory-Forum-\(ASAF\).aspx](http://www.ifrs.org/The-organisation/Advisory-bodies/Pages/Accounting-Standards-Advisory-Forum-(ASAF).aspx)

- 4.23 As a minimum, before it commits resources to new projects, a NSS should consider working in co-operation with other NSSs and the IASB in a manner that enables the greatest efficiencies to be gained from the collective resources available.

## Due Process

- 5.1 A robust due process should be designed to identify relevant conceptual and practical issues so that new and revised standards are of high quality in serving the needs of financial statement users.
- 5.2 The IASB's due process relies to some degree on the due process of NSSs.<sup>14</sup> Accordingly, the more robust are the due processes of NSSs, the more beneficial they are to the IASB's overall due process and ultimately the quality of IFRS.
- 5.3 The adoption of a thorough due process in the development of accounting standards provides a basis for confidence in the integrity of the standards. A NSS's due process can provide a basis for the NSS having independence. There is a basis for independence to be sustained where stakeholders are able to understand the reasons for decisions and the manner in which a NSS has exercised judgements about matters such as costs versus benefits (see paragraphs 5.16 to 5.18) so as to promote confidence among stakeholders that their views are considered.
- 5.4 The need for a thorough due process relates to all stages of standard-setting – agenda setting, researching topics, making proposals, establishing transitional arrangements and post-implementation reviews. In setting agenda priorities, a NSS should give consideration to identifying projects it might conduct in co-operation with other NSSs or more directly with the IASB (see also paragraphs 4.16, 4.21 and 4.22). The insights into priorities a NSS gains through developing its own agenda should be communicated to the IASB as input to the IASB's development of its own agenda.
- 5.5 Each NSS that uses IFRS in some manner also should consider the extent to which the IASB's due process, including the NSS's participation in that due process, can fulfil local needs. A NSS will usually need to conduct additional due process with local constituents. This may occur because issues within proposals have different degrees of resonance in a local jurisdiction than may appear to be the case globally, or simply because a NSS is closer to its constituents than the IASB. This can mean views are conveyed through the efforts of NSSs that might not otherwise reach the IASB or may be more effectively expressed through the efforts of NSSs. In addition, a broader range of entities in the jurisdiction might be required to apply IFRS than is being contemplated by the IASB, such as non-publicly accountable entities or not-for-profit entities. This may bring perspectives that are also useful for the entities to which IFRS apply.

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<sup>14</sup> [Due Process Handbook, IASB \(February 2013\)](#) – see, in particular, paragraph 85.

- 5.6 A NSS should be supportive of the IASB process and may assist the IASB by engaging in joint outreach activities or facilitating (including hosting) outreach events in its jurisdiction or region, including roundtables, workshops and conferences. Support for the IASB due process might also include involvement with IFASS or the ASAF, either as an IFASS participant or ASAF member, or as a member of a regional standard-setting body.
- 5.7 For a NSS that adopts IFRS, its local due process should include steps that provide a basis for justifying its reliance on IFRS.

### ***Transparency***

- 5.8 Setting accounting standards in a transparent manner provides an environment whereby stakeholders can be fully informed of developments and can provide the NSS with insight into alternative views. Accordingly, due process should include a strategy for communicating with affected constituents about impending and recent developments. This should be geared towards the convenience of constituents – for example, an up-to-date website offering webinars and podcasts might be the most convenient way for constituents to remain informed. (See also the ‘Disclosure and accountabilities’ section below.).
- 5.9 In addition, a NSS should consider the merits of making its technical deliberations transparent, for example, by meeting in public, making agenda papers and summaries of decisions publicly available, and conducting roundtable discussions with stakeholders in public. There may be a need for compatibility with the approaches of the IASB if the input is to be of maximum use to it as well as to the NSS.

### ***Disclosure and accountabilities***

- 5.10 A robust due process, together with the qualitative characteristics discussed in section 4 above, helps support the independence of a NSS (see paragraphs 4.6 to 4.10) and can help reduce the need for outside accountability mechanisms to be imposed. A NSS should be openly accountable for its own performance in improving the information provided to users. Furthermore, a NSS should publicly disclose its work plans and report progress in achieving those plans as a means of demonstrating its performance.
- 5.11 A NSS should consult with its constituents about their project priorities so that there is a level of assurance that the NSS is applying its resources to helping to resolve the appropriate issues. Ideally, this would complement the work of the IASB (including the IFRS Interpretations Committee) and provide a basis for input to the IASB’s consultation (see also paragraph 5.4).
- 5.12 The level of resourcing provided to a NSS should also be made known, and the reporting of NSS activities should be sufficiently transparent to allow stakeholders to make judgements about the effectiveness and efficiency of a NSS.

- 5.13 Since standard-setting involves change management, a NSS should also be accountable for the change management strategies that it employs; in particular, how it manages the introduction of new and revised IFRS or other requirements that are expected to have significant impacts on reporting in the jurisdiction.
- 5.14 In some cases, the output of a NSS is made part of its jurisdiction's law, and the extent of accountability and transparency may be a function of a law-making process. A NSS should strive for an appropriate level of accountability and transparency within its own legal framework.
- 5.15 Consistent with the principle of transparency, when a NSS makes decisions on accounting standards, the NSS's basis for those decisions should be documented and published, including any alternative views and effect analyses that the NSS has considered in arriving at its conclusions. This would include any decision relating to the adoption of IFRS to the extent the NSS is involved in that decision. It might also include any dissenting views relating to decisions on accounting standards.

### *Cost-benefit assessment*

- 5.16 Costs and benefits need to be assessed, most often in a qualitative, rather than a quantitative, manner.<sup>15</sup> This is because there is no accepted methodology for quantitatively measuring costs to preparers and others affected by proposals in a manner that could be compared with the prospective benefits of information presented in financial reports to users. NSSs have to use their judgement and document their assessments.
- 5.17 A NSS in a jurisdiction that has adopted IFRS will usually need to consider the costs of applying each new and revised IFRS in the context of the benefits to be obtained as well as against the overall benefits of enabling entities to remain IFRS compliant.
- 5.18 The effect analyses prepared by IASB staff on particular new or revised IFRS may assist a NSS in making assessments of costs and benefits.<sup>16</sup> Each NSS also needs to consider the extent to which an IASB effect analysis is likely to fulfil its local needs. A NSS may need to conduct specific cost-benefit assessments in addition to those contemplated by the IASB. In this context, a NSS is often guided by the feedback received from constituents as to the incremental costs that may be incurred in implementing newly issued or revised accounting requirements and the benefits that may be received. If NSSs gather this information prior to the IASB producing an effect analysis, it should be provided to the IASB to help ensure the IASB has input from various jurisdictions in undertaking its global effect analysis.

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15 European Financial Reporting Advisory Group ([EFRAG Discussion Paper Considering the Effects of Accounting Standards](#) (January 2011) discusses the suitability of applying a cost benefit analysis to standard-setting (see in particular section 3, paragraphs 3.6-3.10).

16 For example, [Effect analysis – IFRS 11 Joint Arrangements and disclosures for joint arrangements included in IFRS 12 Disclosure of Interests in Other Entities](#), (IFRS Foundation, July 2011); [Effect analysis – IFRS 10 Consolidation Financial Statements and IFRS 12 Disclosure of Interests in Other Entities](#), (IFRS Foundation, Updated July 2013); and [Project Summary and Feedback Statement – Amendments to IAS 19 Employee Benefits](#), (June 2011).

### ***Post-implementation reviews***

- 5.19 Due process should also include post-implementation reviews to allow an avenue for dealing with implementation issues, to help ensure consistent application of standards and that the standards meet current needs. This could be undertaken in a co-ordinated way with the IASB. Accordingly, in jurisdictions in which the relevant requirements are IFRS or IFRS-based, NSSs should provide post-implementation findings to the IASB and/or work together with the IASB in its post-implementation reviews by facilitating access to relevant constituents.<sup>17</sup>

### ***Emerging issues***

- 5.20 A NSS should work with the IASB in the development of principle-based standards and help ensure communications about those standards can be understood in various jurisdictions. This is on the basis that the number of potential emerging issues relating to the application of specific IFRS can be minimised by ensuring that principles are clearly expressed and communicated. This should help reduce the need to create national variants on IFRS, such as through local interpretations.
- 5.21 Emerging issues relating to the application of IFRS should be identified by NSSs working with constituents and dealt with co-operatively through a network with other NSSs and the IASB. Ordinarily a NSS should seek the views of other NSSs (possibly as part of an International Forum of Accounting Standard Setters meeting agenda) on an emerging issue. This may lead to the issue being drawn to the attention of the IASB or IFRS Interpretations Committee for timely resolution in the context of the Committee's process for dealing with emerging issues.<sup>18</sup>
- 5.22 It should become evident through the process described in paragraph 5.21 as to whether an emerging issue is of widespread interest or of importance to only a few jurisdictions. This will assist in identifying those NSSs that are best-placed to provide any information or research assistance to the IASB or IFRS Interpretations Committee for timely resolution of the issue.
- 5.23 Given the underlying economics, few emerging issues would be unique to a jurisdiction. In some cases, particular circumstances prevailing in a jurisdiction, including the environment in which transactions take place, may validly lead to different financial reporting outcomes for the same types of transactions. Accordingly, a NSS should refrain from producing its own interpretations of IFRS, except when:
- (a) a NSS concludes, after having undertaken supporting research and the process described in paragraph 5.21, that an issue is jurisdiction-specific by virtue of the circumstances prevailing in that particular jurisdiction; or
  - (b) an interim solution is needed in a particular jurisdiction because the process described in paragraph 5.21 does not result in a timely outcome.

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<sup>17</sup> *Due Process Handbook*, IASB (February 2013) – see, in particular, paragraphs 6.52 to 6.63.

<sup>18</sup> <http://www.ifrs.org/How-we-develop-Interpretations/Pages/The-IASB-and-an-Interpretation.aspx>

- 5.24 If a NSS ultimately decides to issue an interpretation, it should seek to obtain a reasonable level of confidence that it is not misrepresenting IFRS or causing problems for others. One means of assisting in this is to circulate the proposed interpretation to other NSSs.
- 5.25 The general principle under which each NSS should operate in relation to emerging issues is that, wherever possible, a NSS should support the IASB, rather than deviate from IFRS or provide jurisdiction-specific interpretations of IFRS.

## **Relationships with others in the regulatory framework**

- 6.1 Other relevant organisations in a NSS's national regulatory framework could include securities regulators, professional accounting bodies, governments, auditing regulators and prudential regulators.
- 6.2 Without consistent regulation of compliance and assurance, even the best standards are unlikely to result in consistent high-quality financial reporting. Accordingly, a NSS should liaise with other relevant regulators and take whatever steps are feasible to help achieve consistency, even if that is limited to highlighting the effects that those regulators' actions may have on the quality of financial reporting. A NSS should be aware of the risk that government policy could impede the intent of standards, for example, as may occur when another regulator aligns taxation requirements with financial reporting requirements (which may cause some constituents' comments on financial reporting proposals to be driven by a desire for particular taxation outcomes and not necessarily the best financial reporting outcomes).
- 6.3 Government policy might affect a NSS in different ways. For example, a policy that promotes economic growth through deregulation might constrain a NSS from standard-setting. Because a NSS may be required to comply with its government's policies, it should endeavour to provide input to the formulation of policies that could impact financial reporting. Accordingly, a NSS should endeavour to explain to government policy-makers the implications of any policy that has the potential to adversely affect the quality of financial reporting and therefore the public interest. This Model focuses on the quality of a NSS's processes and therefore is not intended to imply that a NSS does not satisfy the qualitative characteristics described in section 4 if it is required to comply with a government's policy that is perceived to conflict with the objective of general purpose financial reporting.
- 6.4 In jurisdictions in which standards are part of a jurisdiction's law, the relationship between a NSS and its government should ideally be one that helps facilitate the timely and complete inclusion of standards into law.