

IFRS Briefing Sheet

Due Process Handbook for the IFRIC

March 2007, **Issue 64**

This IFRS Briefing Sheet highlights significant differences between the International Accounting Standards Committee Foundation's (IASC Foundation) *Due Process Handbook for the IFRIC* (IFRIC Handbook), which was published on 22 February 2007, and the current operating procedures of the IFRIC.

Background

The IFRIC Handbook has been adapted from the Constitution of the IASC Foundation and the Preface to International Financial Reporting Interpretations (IFRIC Preface), and supersedes the IFRIC Preface. The new IFRIC Handbook largely is consistent with IFRIC's current operating guidelines, so this *IFRS Briefing Sheet* focuses only on the more significant changes. These mainly are related to the agenda setting process and the publication of reasons for not adding issues to the IFRIC Agenda.

Due Process

Role of the Agenda Committee and the Agenda Setting Process

The role of the IFRIC Agenda Committee was to evaluate proposed agenda items and develop recommendations regarding whether or not issues raised should be taken onto the IFRIC's agenda. The actual agenda decisions, including any commentary, were discussed and agreed by the full IFRIC in public meetings. Under the new IFRIC Handbook the functions performed previously by the Agenda Committee will continue but, in order to improve transparency, its role has now been absorbed into the IFRIC.

Before an issue is submitted to the IFRIC, the IASB staff will analyse it against the agenda criteria (see below) and, as the staff feels necessary, will seek input from members of the IASB, the IFRIC and other knowledgeable parties to assist it in preparing an analysis of the issue.

The full IFRIC will debate and make tentative and final agenda decisions, as it does currently. However, the public sessions now also will include the initial evaluation, scoping and formulation of a proposed agenda decision. Like previous Agenda Committee meetings, the agenda discussions will not be decision-making sessions. These agenda discussions will occur less frequently than the previous Agenda Committee

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meetings, as they will be held only in conjunction with full IFRIC meetings.

Agenda Criteria

An issue does not have to satisfy all of the agenda criteria to be added to the IFRIC Agenda. The agenda criteria generally are consistent with the IFRIC's current criteria, except as noted below.

The IFRIC Handbook states explicitly that an item will not be added to the IFRIC agenda if IFRSs are clear and divergent interpretations are not expected.

The IFRIC also will assess whether an issue is sufficiently narrow so that an Interpretation can be issued, yet wide enough in scope so that it is cost effective to undertake. The objective of this revised criterion is to avoid very broad and time consuming projects.

The IFRIC Handbook also clarifies that an issue will not be added to the IFRIC agenda if the IASB is expected to resolve it in a shorter timeframe than would be required by the IFRIC.

Issues Not Added to the IFRIC Agenda

An agenda decision will continue to require a simple majority of IFRIC members present at the meeting.

Like the current IFRIC operating procedures, if an issue is not added to the agenda, then a tentative agenda

decision will be published in *IFRIC Update* and posted on the IASB's Web site. Although not stated explicitly, tentative agenda decisions may include commentary about the IFRIC's view of the requirements of IFRSs.

A comment period of not less than 30 days will be provided and comments received will be placed on public record and considered when the IFRIC finalises its agenda decision, which generally will be at its next meeting.

A historical record of final agenda decisions will continue to be posted on the IASB's Web site; however, this record is not updated and does not form part of IFRSs.

Comment Period and Deliberation

The IFRIC Handbook clarifies that the IFRIC should consider whether re-exposure of a draft Interpretation is necessary taking into account the following: the comments of constituents; the significance of changes from the draft Interpretation; whether the issues were discussed previously (e.g., in the Basis for Conclusions); and the potential impact of the Interpretation on current practice.

Authority of IFRIC Interpretations

IFRIC Interpretations set out guidance that must be applied if financial statements are described as being

prepared in accordance with IFRSs. The IFRIC Handbook clarifies that transitional requirements are specified for each Interpretation and that there is a presumption that they will be applied retrospectively.

Relationship with National Standard Setters and National Interpretative Groups

The Trustees rejected proposals that the IFRIC endorse as IFRS-compliant, and / or actively monitor, the work of national standard-setters or national interpretative groups. However, the IASB staff will liaise with such bodies to identify interpretive issues that the IFRIC might need to consider, and these constituents are encouraged to refer interpretive issues for consideration by the IFRIC.

Effective Date

The requirements of the IFRIC Handbook are effective immediately.

If you would like further information on any of the matters discussed in this issue of *IFRS Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

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