

IFRS Briefing Sheet

Publication of Draft IFRIC Due Process Handbook

May 2006, **Issue 49**

This IFRS Briefing Sheet summarises the consultation paper *Due Process of the International Financial Reporting Interpretations Committee – Draft Handbook* (IFRIC Due Process Handbook), which was published by the Trustees of the International Accounting Standards Committee Foundation (IASC Foundation) on 4 May 2006.

Preface to International Financial Reporting Interpretations (IFRIC Preface). It is proposed that when finalised the IFRIC Due Process Handbook will replace the IFRIC Preface. As a consequence, minor amendments also are proposed to the *Preface to International Financial Reporting Standards*.

The Trustees of the IASC Foundation specifically have requested comments on four aspects of the proposed policies and procedures of IFRIC, which are summarised below.

Role of the Agenda Committee

The draft IFRIC Due Process Handbook proposes no significant changes from the IFRIC Preface or current IFRIC operating procedures.

The role of the Agenda Committee would remain to recommend to the IFRIC whether an issue should be added to the IFRIC agenda. In making this recommendation the Agenda Committee would consider certain criteria (see below). The Agenda Committee would not resolve the technical issues in items brought to the IFRIC; therefore, it would not be a decision-making body and would not meet in public. The conclusions of the full IFRIC on agenda decisions, as discussed in IFRIC's public sessions, would continue to be published in *IFRIC Update*.

Background

In March 2005 the IASC Foundation published for public comment a consultation paper *IFRIC Review of Operations*. As part of its review of operations, and considering comments received on the consultation paper, the International Accounting Standards Board (IASB) prepared the IFRIC Due Process Handbook setting out the IFRIC's policies and procedures related to its due process.

The IFRIC Due Process Handbook has been adapted from the *Constitution of the IASC Foundation* and from the

**A supplement to KPMG's
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Agenda Criteria

Proposed agenda items would be assessed against the following criteria:

- The issue is pervasive and practically relevant.
- Significantly divergent interpretations exist, and consistency in practice would improve financial reporting.
- The issue relates to the implementation or application of existing standards and can be resolved efficiently through the interpretation of current requirements.
- The IFRIC is likely to reach a timely consensus on the issue.
- Guidance is needed sooner than the IASB can be expected to provide it.

An issue would not have to satisfy all the agenda criteria to be added to the IFRIC agenda.

The above criteria generally are consistent with the current criteria in the IFRIC Preface; however, an explicit statement has been added to state that an item will not be added

to the IFRIC agenda if the requirements of IFRSs are clear, such that divergent interpretations are not expected in practice.

Issues Not Added to the IFRIC Agenda

Consistent with the IFRIC Preface, it is proposed that a simple majority of IFRIC members present at an Agenda Committee meeting can agree to add an issue to the IFRIC agenda.

Consistent with current operating procedures, if an issue is not added to the agenda, then a draft agenda decision, which may include comments about IFRIC's view of the "clear" requirements of IFRSs, would be published in IFRIC *Update* and electronically on the IASB's Web site. A 30-day comment period would be provided, with comments generally being placed on public record.

A historical record of IFRIC agenda decisions would be posted on the IASB's Web site; this record would not be updated as standards are amended and would not form part of IFRSs.

Relationship with National Standard-setters and National Interpretive Groups

It is proposed that IASB staff liaise with national standard-setters and national interpretive groups to identify interpretive issues that the IFRIC might need to consider, and that these constituents would be encouraged to refer interpretive issues for consideration by the Agenda Committee. However, it is not proposed that the IFRIC act as a monitoring body or provide positive endorsement as to whether a local interpretation is consistent with current IFRSs.

Response to the IASC Foundation

The Trustees of the IASC Foundation have invited comments on the draft IFRIC Due Process Handbook by 30 September 2006.

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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