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**Comments on the International Accounting Standards Committee
(IASC) Discussion Paper entitled, Shaping IASC for the Future,
dated December 1998**

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April 21, 1999

Sir Bryan Carsberg
Secretary-General
International Accounting Standards Committee
166 Fleet Street
London EC4A 2DY
United Kingdom

Dear Sir Bryan:

The American Institute of Certified Public Accountants (AICPA) is pleased to respond to the request for comments on the International Accounting Standards Committee (IASC) Discussion Paper entitled, *Shaping IASC for the Future*, dated December 1998. The AICPA commends the IASC for its efforts to improve its structure and processes to provide for development of high-quality international accounting standards. Its proposal represents an improvement over the current IASC structure and process and a significant step that will enable the IASC to continue to produce high-quality international accounting standards in the future. In this respect, we agree with the IASC Strategy Working Party (SWP) that the primary objective of the IASC should be to develop high-quality standards that provide transparency and comparability of information, through consistent application, that is useful for making decisions in the world's capital markets.

To establish a framework for our comments and responses to the specific questions in the Discussion Paper, we considered the AICPA's 1998 Vision Statement, the AICPA's long-standing views regarding private sector standard setting and the work of the AICPA Special Committee on International Strategy. Based on that background, we have set forth the AICPA's vision of an optimum international standard setting structure as well as its underlying goals and objectives, with the hope that these will prove helpful to the SWP as it develops its final structure recommendations.

The discussion of this vision is followed by the specific consideration of a fundamental issue that we believe is critical to the success of the restructured IASC and that the SWP's final proposal should address. The appendix to this letter includes responses to the specific questions in the Discussion Paper.

AICPA VISION OF INTERNATIONAL STANDARD SETTING

National business boundaries are being erased through international competition, mergers and electronic trading of securities. High-quality international accounting standards are needed to provide comparable and consistent financial information, to assist in capital allocation and to maximize the efficiency of capital markets throughout the world. The development of these standards is becoming more difficult as business transactions become more complex.

The IASC core standards have addressed many, but not all, of the fundamental accounting matters. However, those standards may require further refinement in the future, and additional standards will be needed to address evolving complex business transactions, specialized industry issues and other matters not currently addressed by the existing core standards. To develop such standards for the new millennium, we envision a single, independent, global standard setter with the requisite membership, authority, international standing, funding, staffing and other resources needed to establish high-quality international accounting standards, based upon a sound coherent conceptual framework and through a high level of due process.

Standard Setting Board

Our vision contemplates an independent standard setting board, not directly associated with any professional organization, country or national standard setter. That Board would set its own agenda based on input from financial statement users, preparers, public accountants, regulators, national standard setters and other organizations. Its members would be highly skilled, experienced individuals with varied backgrounds including financial statement users, preparers, public accountants, academics, national standard setters and regulators. Board members would sever all previous commercial and national standard setting ties to serve as full-time international standard setters. They would be compensated at a level appropriate to attract highly qualified candidates with the background and experience necessary to provide credibility and world-class leadership in setting international accounting standards

Trustees and Board Members

Board members would be appointed by a Board of Trustees based on demonstrated leadership ability, technical competence, objectivity and the ability to function effectively in an international arena. The appointment of individuals with these abilities is essential to the successful development of international accounting standards. Trustees would be individuals with various backgrounds from various countries and organizations, with an appropriate balance of “at large” members.

Adequate Staffing with Full-Time Professionals

The Board would be supported by a full-time staff of sufficient size to operate efficiently, manage multiple projects, provide the depth of research necessary to support sound decision making and superior due process, and communicate effectively with constituents. Such staffing is necessary to.

- Develop high-quality standards supported by substantial research, study, testing, and deliberation of alternatives;
- Demonstrate that the Board has considered all viable alternatives and that its conclusions result in the highest quality standard; and
- Continuously persuade constituents that compliance with international standards is desirable and that convergence of national standards will improve financial reporting globally

Use of Conceptual Framework

We envision the use of a conceptual framework in the development of international accounting standards that focuses on information which is transparent and comparable, through consistent application, for use by those making resource allocation decisions in capital markets. The current IASC Framework for the Preparation and Presentation of Financial Statements is an appropriate starting point for the development of such a conceptual framework. Furthermore, we envision a process that permits ongoing change to the framework to address new areas not adequately addressed as well as existing areas that may need modification because of changed circumstances.

Strong Relationship with Other Standard Setters and Organizations

The Board would continue to develop its relationships with the International Organization of Securities Commissions (IOSCO), the International Federation of Accountants (IFAC), national standard setters and regulators, exchanges and others to promote its standards as authoritative. Trustees would also develop and maintain liaison relationships with key organizations for this purpose.

High Level of Due Process

The Board would employ a high level of due process as an integral part of its standard setting. Constituent and other views would be sought through various means, such as

adequate comment periods on all proposals, deliberation in open meetings, field testing, public hearings and other steps considered necessary in the circumstances.

Continuous Structure Review

We recognize that our vision of the international standard setter may not be adopted by the SWP in all respects today, but at a minimum, we would encourage the SWP to consider such vision as the ultimate goal. To this end, we recommend that the structure and process changes that emerge from the SWP's proposal be formally reconsidered after no more than five years as part of a process of periodic reassessment and that additional changes to move closer to a more independent board structure be made at that time. Moreover, we suggest that the final SWP report specifically articulate a periodic reassessment process.

FUNDAMENTAL ISSUES

We support a number of the changes being proposed by the SWP. However, we do not agree with the proposal for approval authority for Exposure Drafts and Standards included in the SWP's discussion paper, and we believe it should be reconsidered by the SWP.

Approval Authority for IASC Exposure Drafts and Standards

[As proposed by the SWP, a Standards Development Committee (SDC) would be formed to be responsible for developing standards. It would consist of 11 members, composed of six to eight individuals who are voting members of national standard setting bodies and two to four individuals from groups such as preparers and users of financial statements, public practitioners, academics and, perhaps, regulators. Standards or Exposure Drafts (EDs) approved for publication by the SDC would be submitted for approval to the IASC Board which would be composed of 25 individuals appointed from among professional accountancy bodies (20 individuals) and other organizations with an interest in financial reporting (5 persons). A supermajority vote of seven of 11 SDC members would be required to approve an ED or Standard, which then must be approved by 60% (15 of 25 votes) of IASC Board members.

Should the IASC Board reject an SDC-approved Standard or ED, the SDC may submit a revised draft to the IASC Board if that revision is approved by 7 of 11 SDC members, IASC Board approval of that document must be by a 60% majority. Alternatively, the SDC may resubmit the original, unchanged Standard or ED. The size of the majority vote of IASC Board members required to approve that unchanged document depends on the size of the majority of SDC members voting to send that document to the IASC Board. If 9 of 11 SDC members approve the unchanged Standard or ED, only a simple majority (13 of 25) IASC Board vote is required for its publication; if 7 of 11 SDC members approve the unchanged Standard or ED, a super-majority of 60% of IASC Board

members is required for its publication. The SWP proposal does not allow the IASC Board to amend Standards or EDs sent to it by the SDC.]

Final authority for the approval of IASC standards should rest with the Standards Development Committee (SDC).

Final approval of standards by the SDC would increase the ability of the SDC to attract talented and experienced national standard setters and demonstrate the organization's commitment to international accounting standards that require high-quality, transparent and comparable information.

It also would strengthen the IASC's relationship with the national standard setters who participate on the SDC and contribute substantial resources to its success.

However, we believe that the IASC Board should continue to have a substantive role in the development of international standards and in working with national standard setters and regulators in IASC member countries to achieve acceptance of high-quality international accounting standards. Consequently, while we believe that high-quality standards will best be developed by an SDC having full authority to issue Eds and Standards, we would not be opposed to a structure that involves the IASC Board in the approval process of IASC Standards for a transitional period until the SDC has demonstrated to IASC members and constituents the wisdom and fairness of its members

and the soundness of its processes. In that case, the IASC should develop a plan that acknowledges the ultimate goal of a more independent structure and establishes a process to grant greater approval authority to the SDC as soon as reasonably possible and, in any case, as part of a periodic structure review after no more than five years. Some alternatives for IASC Board involvement during the transition period include:

- Permitting the IASC Board to delay issuance of an SDC proposal for a specified period until the SDC has redeliberated those particular elements of the proposal that caused the IASC to reject the proposal. Once redeliberated and discussed with the IASC Board, the SDC would have final approval authority to issue the ED or Standard,
- Permitting the SDC to override an IASC veto of a proposed ED or Standard with a specified supermajority vote; or
- Phasing in additional SDC authority over a period of time or based on achievement of specified milestones.
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The above alternatives would allow the IASC Board to continue to exercise significant influence over the issuance of international accounting standards while granting greater authority to the body of experts that developed the proposal.

1.

OTHER ISSUES

Funding

Although funding of the restructured organization is an important issue, the primary focus for the IASC at this point should be the development of the most appropriate structure for the IASC. We believe that the SWP's recommendation regarding structure and process should not be compromised because of concerns about funding. For example, we believe the number of staff members should be based on an evaluation of the IASC's agenda and priorities, not on how much funding is available.

Once the recommended structure has been determined, funding should be addressed. A detailed budget should be developed, including the specific type and amount of resources expected to be contributed, and a funding model developed that ensures funding activities do not impede the perceived or actual independence of the organization. Moreover, the

funding plan should be developed by the Trustees in cooperation with national standard setters and other constituents to ensure broad-based support, including support for the level of resources expected to be provided directly or indirectly by national standard setters.

Appointment Authority of the Trustees

[The SWP proposes a Board of Trustees consisting of 12 individuals; six “constituency” Trustees (three appointed from IFAC and three from other international organizations) and six “at large” trustees to be appointed for the first time by a nominating committee composed of the current IASC Advisory Council, recent past IASC chairs and recent past IFAC presidents. Future appointments of “at large” trustees would be made by the Trustees. Trustees would be appointed for a five-year term renewable once. Trustees would be responsible for the appointment of members, the chair and vice-chair of the SDC, the IASC Board and the Standing Interpretations Committee (SIC), which, as its name implies, interprets IASC published standards. With respect to the IASC Board, the Trustees appoint member countries to the IASC Board and have veto authority over the individual delegate whom an appointed country has nominated to the IASC Board.]

The most significant responsibility of the Trustees is to ensure that members of the SDC, SIC and the IASC Board possess the appropriate qualifications, competence, independence, objectivity and commitment to an IASC conceptual framework and development of high-quality accounting standards. Therefore, rather than a supermajority

of 9 out of 12 Trustees to veto appointment of a Board delegate, we believe that Trustees should have affirmative approval responsibility for all delegates to the IASC Board. Trustee approval of IASC Board delegates by majority vote is especially important if the SWP retains its recommendation that the IASC Board approve SDC proposals.

Coordination with National Standard Setters

We agree with the SWP that national standard setters should remain independent of the IASC and that the IASC should work cooperatively with national standard setters to coordinate work plans, timetables for proposals and the issuance of exposure drafts and standards. The result of coordinating these processes will contribute to the all-important convergence of national and international accounting standards. It should be clear however, that the goal of convergence should be high-quality uniform accounting standards and not merely compromise for the sake of convergence.

CONCLUSION

We appreciate the opportunity to comment on this important project. We would be pleased to discuss these comments with the SWP, the IASC Board or its representatives.

Sincerely,

Olivia F. Kirtley, CPA
Chair of the Board of Directors of the
AICPA

Barry C. Melancon, CPA
President and CEO, AICPA

APPENDIX

AICPA RESPONSES TO QUESTIONS IN THE IASC STRATEGY WORKING PARTY INVITATION TO COMMENT

Objectives

Question 1. Do you agree that it is important to focus IASC's objectives more precisely as follows:

(a) to develop International Accounting Standards that require high-quality, transparent and comparable information which will help participants in capital markets and others to make economic decisions; and

(b) to promote the use of International Accounting Standards by working with national standard setters to:

(i) bring about convergence, for listed enterprises (i.e. enterprises with publicly traded equity or debt securities) and other economically significant enterprises, between national accounting standards and International Accounting Standards, and

(ii) encourage national, regional and international authorities to permit or require unlisted enterprises that, individually, are not economically significant to use those International Accounting Standards if those Standards meet the needs of the users of the financial statements of such enterprises

Response to Question 1: We agree with the IASC Strategy Working Party (SWP) that the primary objective of the IASC should be to develop high-quality standards that provide transparency and comparability of information, through consistent application, that is useful for making decisions in the world's capital markets.

Developing High-Quality Accounting Standards

We believe that the IASC's objectives should be to develop high-quality accounting standards that result in transparent and comparable information, through consistent application, that will assist participants in capital markets in making economic decisions.

The standards developed should result in financial information that is:

- **Transparent** -- Application of the standards should result in reporting financial information that is transparent. Financial reporting should reflect the economic substance of transactions
- **Comparable** -- The standards should result in comparable information being reported among entities involved in similar transactions or events
- **Relevant and reliable** -- The financial information resulting from application of the standards should be relevant to the users of the information in making economic decisions about the entity, and the information reported should be reliable.

Standards should be developed based on a strong conceptual framework to allow for the consistent application of objectives and priorities of financial reporting and use of consistent definitions of financial statement elements. A strong framework also assists

constituents in understanding the basis for the conclusions and how standards relate to the broader body of generally accepted accounting principles.

Convergence of National and International Accounting Standards

We believe the IASC should work closely with national standard setters to bring about convergence of national standards and international accounting standards. That effort should focus on identifying areas of accounting and reporting in which significant differences exist between national standards and international accounting standards and then working with national standard setters to develop a consistent, high-quality accounting standard that would be issued as both the international standard and the national standard. In developing those standards, convergence should not be interpreted to suggest that national standard setters will simply conform their standards to international accounting standards. Rather, the development of high-quality standards requires an independent process involving all parties to ensure the best accounting and reporting result for both international and national standard setters.

In striving for convergence, the focus should be on information required for participants in capital markets. Accordingly, the quality of the standards should not be compromised as a means of encouraging adoption of IASC standards by unlisted enterprises or acceptance by national or regional authorities for use by those enterprises. As quality accounting standards are developed and adopted on a worldwide basis, we believe that the market will demand the use of the higher quality accounting standards by unlisted

companies as well.

Structure of IASC - Key Issues

Question 2. Do you agree with the Working Party that the following key issues must be addressed to give IASC a structure that will enable it to continue meeting its objectives:

- (a) partnership with national standard setters -- IASC should enter into a partnership with national standard setters so that IASC can work together with them to accelerate convergence between national standards and International Accounting Standards around solutions requiring high-quality, transparent and comparable information that will help participants in capital markets and others to make economic decisions;*
- (b) wider participation in the IASC Board -- a wider group of countries and organisations should take part in the IASC Board, without diluting the quality of the Board's work; and*
- (c) appointment -- the process for appointments to the IASC Board and key IASC committees should be the responsibility of a variety of constituencies, while ensuring that those appointed are competent, independent and objective.*

Response to Question 2: We agree that the issues identified in the SWP discussion paper are important and should be considered. However, we believe that the SWP also should develop and recommend a structure of an independent global standard setter and a plan to ultimately achieve that structure. Based on the objectives set forth in our response

to Question 1 and the vision of the international standard setter described in our cover letter, the following key issues should be considered to develop the optimum organizational structure that will result in high-quality accounting standard setting:

- **A Full-Time Standard Setting Body --** A single independent Board should be responsible for the development of international accounting standards. Members should serve full time and be technically competent, independent and recognized leaders in the financial reporting community. The Board should develop standards based on a strong conceptual framework and should have the authority to control its agenda and issue proposals and standards. The Board should apply rigorous due process to ensure that views of constituents are sought and considered as part of the Board's deliberations.
- **Adequate Staffing with Full-Time Professionals --** The standard setting Board should be supported by a full-time staff of adequate size to operate efficiently, manage multiple projects and provide the depth of research necessary to support sound decision making and superior due process and to communicate effectively with constituents.
- **Strong Relationships With National Standard Setters And Other Organizations --** The Board should have deep relationships with national standard setters and other organizations with a goal to achieve global standards

Partnership with National Standard Setters

We agree that the IASC should enter into a cooperative partnership with national standard

setters to accelerate convergence of national and international accounting standards. Additionally, the IASC should involve national standard setters in its standard setting process to use their expertise to develop high-quality international accounting standards.

Wider Participation in the IASC Board

We agree that the IASC should involve many countries and organizations in its standard setting activities. Expanding the size of the IASC Board will serve to provide additional national standard setters and other constituents a voice in the development of international accounting standards. However, we have some concern that the increased size of the IASC Board may inhibit effective and efficient development of high-quality international accounting standards. Increasing the size of the IASC Board will require enhanced communication, coordination and management to ensure that the quality of the IASC process is not impaired.

Appointment of Members

The selection and appointment of IASC members, IASC Board delegates, and committee and task force members is extremely important to ensure that individuals participating in the development of IASC Standards have the requisite technical background and experience, independence of thought, leadership within their country or organization to further the work of the IASC, and willingness to develop high-quality standards that are based on the IASC's conceptual framework. A restructured IASC, through an independent Board of Trustees, should have a selection and appointment process that

adds credibility to its process by identifying candidates that clearly meet the criteria described above.

Structure of IASC - Addressing the Key Issues

Question 3. Do you support the Working Party's proposals to address these key issues by the following changes:

(a) a partnership with national standard setters:

(i) Steering Committees would be replaced by a Standards Development Committee (SDC), on which national standard setters would play a major role in developing International Accounting Standards. The Standards Development Committee would also be responsible for approving the publication of final Standing Interpretations Committee (SIC) Interpretations prepared by the SIC; and

(ii) the Standards Development Committee would be supported by a Standards Development Advisory Committee (SDAC), which would act as a channel of communication with those national standard setters who are unable to participate directly in the Standards Development Committee because of its limited size;

(b) wider participation in the IASC Board -- the Board would have a wider membership than at present. The Board would still be responsible for the final

approval of International Accounting Standards and Exposure Drafts; and
(c) appointment -- the Advisory Council would be replaced by Trustees. Among other things, the Trustees would appoint members of the Standards Development Committee, the Board and the Standing Interpretations Committee. The Trustees would also have responsibility for monitoring IASC's effectiveness and for finance.

Response to Question 3: The SWP proposal should be changed to address the key issues as follows:

Standards Development Committee

We support creation of the SDC composed of members of national standard setting organizations and others with the appropriate background and experience to develop high-quality international accounting standards. However, the final SWP recommendation should make it clear that the SDC is not simply replacing steering committees but represents a significant step towards the creation of a truly independent, global standard setting board.

In addition to the general qualifications of individual members of the SDC, the Trustees' selection criteria initially should take into consideration the depth of experience of prospective members in setting accounting standards, in operating in well-defined capital markets and in preparing, auditing and using financial statements prepared based on frameworks with objectives consistent with the IASC framework. As the SDC develops

and matures, the membership of the SDC should represent the 11 most capable professionals to develop international accounting standards that meet the objectives of the IASC.

Partnership with National Standard Setters

Advisory councils are an important part of a robust due process system. We support creation of an SDAC to provide advice and counsel to the SDC. The SDAC should include members from national standards setters and other important organizations with an interest in international financial reporting that are not already participating in the process through membership on the Consultative Group.

Expanded Participation in the IASC Board

We understand and appreciate the SWP's interest in encouraging broad participation in the development of international accounting standards. As stated in our response to Question 2, we agree with the proposal to expand the size of the IASC Board to 25 members as long as the increased size does not impair the IASC Board's ability to carry out its standard setting activities.

Appointment of a Board of Trustees

We support the creation of a Board of Trustees with responsibility for general oversight of the IASC structure and process, funding and appointment of members of the IASC, SDC and SIC. We believe that selection of a high-quality Board of Trustees will add

credibility and independence to the IASC process. The Trustees should have authority to approve the appointment of delegates to the IASC Board rather than just a veto of member appointees.

Approval of International Accounting Standards

Question 4. *Do you agree with the Working Party proposal that the publication of a Standard or Exposure Draft should require approval by 60% of the Board (15 votes out of 25)? At present, an Exposure Draft requires a positive vote by two-thirds of the Board; a final Standard requires a positive vote by three-quarters of the Board. The Working Party further concluded that the Chairman of the Board should be required to ensure that the Board considers and votes on proposed Exposure Drafts and Standards submitted by the Standards Development Committee within three months of receipt or, if later, at its next meeting*

If the Board rejects a proposed Exposure Draft or Standard, the Board should send the document back to the Standards Development Committee for further consideration, giving public reasons for its rejection. After considering the reasons given by the Board, the Standards Development Committee may decide to:

- (a) prepare a revised proposal and submit it to the Board for approval in the normal way; or*
- (b) resubmit its original proposal to the Board.*

(i) if nine or more members of the Standards Development Committee have voted to resubmit the same proposal, Board approval should require a simple majority (13 votes out of 25); and

(ii) if seven or eight members of the Standards Development Committee have voted to resubmit the proposal, the proposal should be treated in the same way as a new proposal. In other words, Board approval should require the normal 60% majority (i.e. 15 votes out of 25).

The Working Party recommends that IASC retain the current practice that each delegation has one vote.

The Working Party believes that the Board should not have the power to amend proposed Exposure Drafts and Standards submitted by the Standards Development Committee.

Under the Working Party's proposal, positive approval by the Board would still be required for all International Accounting Standards and Exposure Drafts.

Response to Question 4: We believe final authority for the approval of IASC standards should rest with the SDC. The proposed SDC structure is specifically designed to ensure that its members have the technical competence, independence, objectivity and commitment to a conceptual framework necessary for the development of international

accounting standards that are of the highest quality. While we acknowledge that the IASC Board's participation in the standard setting process is important in achieving acceptance of the standards internationally, the final approval of standards by the SDC would provide the technical body within the organization the final authority to approve standards.

Final approval of standards by the SDC would increase the ability of the SDC to attract talented and experienced national standard setters and demonstrate the organization's commitment to international accounting standards that require high-quality, transparent and comparable information. It also would strengthen the IASC's relationship with the national standard setters who participate on the SDC and contribute substantial resources to its success.

However, we believe that the IASC Board should continue to have a substantive role in the development of international standards and in working with national standards setters and regulators in IASC member countries to achieve acceptance of high-quality international accounting standards. The IASC Board should have authority to provide input into the SDC projects under development and to provide comments, recommendations and insights to the SDC on any of its projects. In addition, while we believe that high-quality standards will best be developed by an SDC having full authority to issue Eds and Standards, we would not be opposed to a structure that involves the IASC Board in the approval process of IASC Standards for a transitional

period until the SDC has demonstrated to IASC members and constituents the wisdom and fairness of its members and the soundness of its processes. In that case, the IASC should develop a plan that acknowledges the ultimate goal of a more independent structure and establishes a process to grant greater approval authority to the SDC as soon as reasonably possible and, in any case, as part of a periodic structure review after no more than five years. Some alternatives for IASC involvement during the transition period include:

- Permitting the IASC Board to delay issuance of an SDC proposal for a specified period until the SDC has redeliberated those particular elements of the proposal that caused the IASC to reject the proposal. Once redeliberated and discussed with the IASC Board, the SDC would have final approval authority to issue the Exposure Draft (ED) or Standard,
- Permitting the SDC to override an IASC veto of a proposed ED or Standard with a specified supermajority vote; or
- Phasing in additional SDC authority over a period of time or based on achievement of specified milestones.

The above alternatives would allow the IASC Board to continue to exercise significant influence over the issuance of international accounting standards while granting greater authority to the body of experts that developed the proposal

We support the SWP recommendation that the IASC should retain the practice that each delegation has one vote. However, we do not believe that an abstention should be viewed

as a vote against the proposal. If a delegation abstains, then the total number of affirmative votes required to approve the matter under consideration should be reduced to require the same voting percentage for approval, but not the same number of total votes.

Approval of SIC Interpretations

Question 5. At present, Board approval is required for a final Interpretation. Do you agree that:

- (a) a SIC final Interpretation should require approval by the Standards Development Committee, and that approval by the Board should no longer be required; and*
- (b) the approval of a final Interpretation should require the same majority in the Standards Development Committee as a decision to submit an Exposure Draft or Standard to the Board for approval (seven votes out of 11)? Should any other changes be made to the structure or operations of the SIC?*

Response to Question 5: We agree that SIC interpretations should require approval by the SDC prior to issuance. The approval of interpretations should require the same majority as a decision to approve an Exposure Draft or Standard.

Due Process

Question 6. Should any changes be made to IASC's due process? In particular, should IASC:

- (a) open all discussions of the proposed Standards Development Committee, Standing*

- Interpretations Committee and Board on technical issues to the public;*
- (b) open portions of Trustees' meetings to the public, at the discretion of the Trustees;*
 - (c) make more use of new technology, such as the Internet, the web site, and electronic observation of open meetings;*
 - (d) publish in advance the agendas for each meeting of the Standards Development Committee, Standing Interpretations Committee, Board and Trustees and publish promptly the decisions made at those meetings (IASC currently publishes the agenda for Board meetings in its quarterly newsletter, Insight, and on its web site. IASC also publishes Board decisions immediately after each Board meeting in Update and SIC decisions in News from the SIC);*
 - (e) publish a Basis for Conclusions with its Standards;*
 - (f) publish with its Standards any dissentient opinions (i.e., statements explaining why one or more Board members or members of the Standards Development Committee voted against the Standards);*
 - (g) hold public hearings for some or all projects (without a requirement to do so in every case);*
 - (h) carry out field tests of some or all of its proposals (without a requirement to do so in every case);*
 - (i) publish translations of International Accounting Standards (as well as other documents, such as Exposure Drafts),*
 - (j) ask members of IASC or others to control the quality of those translations that IASC does not publish itself.*

- (k) lengthen comment periods for Exposure Drafts and other documents;*
- (l) distribute Exposure Drafts (and other documents issued for comment) without charge, if it is financially feasible to do so; or*
- (m) make other changes to its due process (please specify these changes)?*

Response to Question 6: We agree with the proposed changes to the IASC due process. Opening the standards development process and increasing communication with constituents and the public will provide additional credibility to the process and increase constituent involvement in and support for the process.

Implementation, Enforcement and Training

Question 7. Should IASC:

- (a) be more pro-active in reviewing national standards in order to assess whether those national standards result in compliance with International Accounting Standards;*
- (b) give advice to national regulators and other enforcement agencies in their efforts to enforce national standards that comply with International Accounting Standards, but only if the regulator in question both:*
 - (i) pays for the advice on a fully self-financing basis, and*
 - (ii) gives IASC satisfactory indemnities against legal action by those who dispute alleged departures;*

- (c) be more pro-active in identifying departures from International Accounting Standards and reporting those departures to national enforcement agencies, supranational bodies such as IOSCO or the Basle Committee, IFAC or IASC's own member bodies;*
- (d) publish training material, illustrative examples and other implementation guidance, such as staff bulletins;*
- (e) introduce a technical enquiry service;*
- (f) hold training courses (if you think that IASC should provide training, please specify whether such courses should be self-financing); or*
- (g) do anything else to improve the implementation, enforcement and training of International Accounting Standards?*

Response to Question 7: The IASC's highest priority should be the development of high-quality international accounting standards. The activities described in Question 7 may divert scarce resources from that priority.

Comparison of International Accounting Standards (IASs) to National Standards

Comparison of IASs to national standards may be useful to the extent such reviews of national standards assist the IASC in identifying significant areas of potential convergence among international accounting standards and national standards. We do not believe the IASC should prepare and publish comparison books of IASs to various bodies of national standards. While comparison publications may be useful, such

projects require a substantial commitment of resources that may delay progress on more pressing international standard setting matters.

Advising National Regulators and Enforcement Agencies

The IASC should not be directly involved in the enforcement of international accounting standards or proactively searching for departures from IASs. Standard setting and enforcement should be separate functions. It may be appropriate for IASC to provide background information on IASC Standards and communicate with regulators and other constituents on the intended interpretation of IASs.

While the IASC should not be directly involved with enforcement matters, the final proposal should address how enforcement of the standards will likely occur. The SWP should develop an objective that strengthens IASC's relationship with international and national regulators to provide coordination on enforcement of the standards. Consistent global enforcement of IASs will be critical to their ultimate success.

Training, Technical Inquiry Services, Implementation Guidance

The IASC should assess the need for training and implementation guidance on a case-by-case basis. It may be appropriate to develop a "Question and Answer" booklet or limited training course on the implementation of a particularly complex standard to encourage implementation of the standard consistent with its intent. However, such activities should be limited, especially given the considerable work program that the IASC will have in

coming years.

Likewise, constituents will expect to have some ability to contact the IASC with interpretation and implementation questions. The IASC should plan adequate staffing to field questions that relate to what the Board intended in a particular standard.

Funding

Question 8. Should IASC make any changes to the way in which it is funded?

Do you support a funding model that relies more or less equally on funding from a number of reasonably well-defined groups? If you support such a model, which groups should participate in the funding and on what basis? An example would be a model that looks to the accountancy profession, government and the business community to provide roughly equal proportions of IASC's funding.

Do you have any other suggestions for funding IASC?

Response to Question 8: Although funding of the restructured organization is an important issue, the primary focus for the IASC at this point should be the development of the most appropriate structure for the IASC. We believe that the SWP's recommendation regarding structure and process should not be compromised because of concerns about funding.

Once the recommended structure has been determined, funding should be addressed. A detailed budget should be developed, including the specific type and amount of resources expected to be contributed, and a funding model developed that ensures the funding activities do not impede the perceived or actual independence of the organization. IASC members should not be required to make a specific contribution to participate on the IASC Board or the SDC.

Moreover, the funding plan should be developed by the Trustees in cooperation with national standards setters and other constituents to ensure broad-based support, including support for the level of resources expected to be provided directly or indirectly by national standard setters. Trustees should be identified, appointed and given ample time to develop a plan for funding the restructured international standard setting process.