



SAS Quadra 05. Bloco J. CFC
Brasilia, Distrito Federal – Brazil
www.cpc.org.br

August 27, 2012

IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: IASB and IFRS Interpretations Committee Due Process Handbook

Dear Trustees of the IFRS Foundation,

The “Comitê de Pronunciamentos Contábeis” - CPC¹ welcomes the opportunity to comment on the updated version of the IFRS Foundation Due Process Handbook (‘the Handbook’). This letter summarizes the main issues identified by us in our review of the Handbook, and also includes the views of representatives of our local regulator, academics and other stakeholders.

In general, we agree with the format and content of the Handbook. We believe that the document is well structured and properly describes the activities currently conducted within the Due Process. The inclusion of an introductory oversight section (question 1) and the Due Process Protocol (question 2) are positive changes, as well as the description of a research program and the distinction between narrow-scope and comprehensive projects (question 3).

As for question 4, we agree with the extended minimum comment period for exposing the draft of a rejection notice for an Interpretation. However, we believe this exposure should be more prominently disclosed to the public. Concerning the comment period for re-exposures we have some concern regarding the criteria for determining which are narrow in focus and which are not. The unaltered part of a relevant draft may still be more controversial than any minor change made, and one’s ability to re-discuss the entire document should not be affected.

We would also like to bring to your attention some additional comments and/or recommendations related to the Due Process, with the aim of enhancing the technical aspects of the IASB. Even though it is our opinion that the IASB provides a remarkable

¹ The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMFBOVESPA (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).



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service, we feel that every process can always be subject to improvements. Additionally, the development of principles based standards imposes a far more difficult task to the parties involved in this process because the applicability of these principles depends on how conceptually structured they are.

Review of effectiveness

We are aware that the Trustees of the IFRS Foundation recently undertook a review of the efficiency and effectiveness of the IFRS Interpretations Committee. This is an important activity that we believe should be contemplated in the Handbook. Reviews such as this should be conducted for every project of the IASB and the IFRIC in order to ensure that the best technical solution is achieved.

Formation of opinions

Something of great concern to us is how opinions are formed over the Due Process. If we take into account the fact that the conceptual framework (or portions thereof) may eventually be inadequate or incomplete in light of the challenges faced by the IASB and the IFRIC, it is unavoidable that an elevated charge of subjectivity will have to be applied by those developing new standards – specially, when these relate to more controversial issues.

For instance, when an exposure draft such as the one related to revenue recognition (ED/2010/6) results in approximately 1,000 comment letters, how can be assured that quality prevail over quantity in the selection of the views that will form the opinions of the Staff? This process may depend more on how the person in-charge of the analysis of the letters forms his or her own opinions and less on the coherence of the comments vis-à-vis the content of the framework.

The same concern applies to the decisions made by the members of the IASB and the IFRIC. It is not infrequent the occurrence of meetings in which Board and Committee members have to deal with controversial issues relying exclusively on the Staff's research or on their own personal opinions. Therefore, we believe the Due Process should ensure a higher level of transparency in the formation of these opinions by requiring expanded evidence in the "Basis for Conclusion" to allow readers to completely understand the reasons why certain decisions were taken when alternatives were available.

Such transparency should help not only the public in general but also the Trustees in evaluating whether the best technical solution has been developed. This should also serve in preventing the prioritization of specific groups of interests, without the proper conceptual substantiation.



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Use of the Academy

In line with our preceding comments, we believe that the technical feature of the IASB and the IFRIC could be improved by the work of academics. This is an area in which we still identify several opportunities for improvements, in spite of the work conducted so far. In this sense, we encourage the Trustees to seek further approximation with Academy, sponsoring or promoting research applicable to the work of the IASB and the IFRIC.

Analysis of costs and benefits

We have noticed that the Handbook describes the effect analysis to be conducted by the IASB when developing a new standard (paragraph 3.72). We, however, suggest that, a deep analysis be made to establish the first time adoption of a new standard. Higher is the expected cost of the adoption of a new standard, including costs associated with changes in processes, system, training and others, longer should be the time of the adoption of new standard.

Transitional provisions

Defining the effective date and the transitional provision of a new standard is generally controversial. In this sense, we would like to recommend the Trustees to enhance the part of the Handbook that deals with these issues (paragraphs 6.31 and 6.32), by providing more guidance regarding the criteria that should be used by the IASB.

Joint projects

We have noticed that the Handbook does not differentiate the Due Process in the case of joint projects. If a joint project somehow affects the Due Process, we believe this should be mentioned in the document. If not, we also think it would be positive to clarify that joint projects should not affect the Due Process.

If you have any questions concerning our comments, please contact Mr. Idesio da Silva Coelho Junior (Idesio.S.Coelho@br.ey.com), deputy chair of international affairs and coordinator of a working group constituted to study any proposal-stage literature issued by the IASB.

Yours sincerely,

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