

IFRS Interpretations Committee Review

Questionnaire to be completed by all external stakeholders interested in the IFRS Interpretations Committee, including IASB Members, IFRS Advisory Council members, External Observers, national standard setters and all other interested parties.

Name The Financial Reporting Standards Committee of Hong Kong Institute of Certified Public Accountants
(All responses will remain confidential.)

Background:

Please tick (☑) the appropriate box that best describes your background:

- User
- Preparer
- Auditor
- Regulator
- Academic
- Other (please explain) Standard setting organization

Please indicate the geographic region in which you are located by ticking (☑) the appropriate box:

- Asia/Oceania
- Europe
- North America
- Africa
- South America
- International

IFRS Interpretations Committee Review

Purpose: To assist the Trustees of the IFRS Foundation conduct a review of the effectiveness of the IFRS Interpretations Committee as part of its monitoring of the IFRS Foundation. This questionnaire provides for a performance evaluation of the efficiency and effectiveness of the Interpretations Committee in achieving its objectives and to offer suggestions to improve its operations.

The assessment covers the accomplishments of the Committee. It is not an assessment of the performance of individual Committee members.

Process: This questionnaire employs the following rating graduation:

1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

For all items rated as 3 or 4, it is important that each such rating is supported by comments identifying the areas needing improvement and suggested improvements. However, we strongly encourage respondents to provide comments on all aspects of performance. We would also appreciate comment if you are uncertain, do not know the answer to the question, or feel the answer is not applicable.

Responses will be analysed by staff of the IFRS Foundation and a summary will be circulated to the Trustees. The Trustees will issue a final report in the first half of 2011 and this will be sent to all respondents. It will also be placed on the Foundation's website. The Chairman will make a full report to the Interpretations Committee and time will be made available during the relevant Committee meeting for discussion of the results.

Timing: Respondents are asked to complete this form electronically and return it to interpretations-comm@ifrs.org by **31 January 2011**. Individual responses will remain confidential and will not be published.

IFRS Interpretations Committee Review

Objectives and Scope of Activities of the Interpretations Committee

The objectives of the Committee as set out in the Constitution are.

- To interpret the application of IFRSs and provide timely guidance on financial reporting issues not specifically addressed in IFRSs, in the context of the IASB's Framework, and to undertake other tasks at the request of the IASB¹.
- The other tasks include reviewing and making recommendations to the IASB of items for inclusion in the Annual Improvements process, and review of comment letters received and making recommendations on the finalisation of those Annual Improvements.

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
1.	The Committee's stated objectives and scope of activities are appropriate to assist the IFRS Foundation and the IASB in meeting the objective of promoting the use and rigorous application of IFRSs.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	The Committee understands its objectives and how these link with those of the IFRS Foundation and the IASB. This is reflected in the functioning of the Committee.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	The Committee's activities appropriately reflect its objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	The Committee's experience and expertise are being efficiently and fully utilised by the IASB.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments on Objectives and Scope of Activities of the Interpretations Committee

We have no specific comments in respect to the objectives and scope of activities of the Committee

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

¹ Paragraph 43 of the IFRS Foundation's Constitution.

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Membership Committee members are appointed by the Trustees. The members of the Committee are selected so as to represent the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRSs and analysis of financial statements prepared in accordance with IFRSs.							
5.	The Committee has a sufficiently broad range of collective expertise, experience and geographical balance to ensure its effective and efficient operation. The Committee membership achieves an appropriate balance of backgrounds and experience.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	The size of the Committee is appropriate to achieve diversity of experience and background without being too large.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments on Membership of the Interpretations Committee In respect of geographical balance, we considered that as the role of the Interpretations Committee is to interpret the application of IFRS, it would be more effective if the Committee included members from major jurisdictions that have already adopted IFRS, for example Hong Kong.							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Operating Procedures							
The Committee generally meets six times each year for one and a half days. Meetings are open for public observation (except for administrative matters).							
7.	Committee meetings are efficient and effective in terms of:						
	(a) Frequency.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Length.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Geographical location (London).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(d) Quality of agenda material.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(e) Quantity of agenda material.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(f) Timely provision of agenda materials (observer notes).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	There is high quality participation and interaction in the discussion by Committee Members in reaching consensus	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Committee meetings are productive and achieve their full potential	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	The Committee is optimally placed to meet the future demand of stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

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Comments on Operating Procedures of the Interpretations Committee

We generally agree that the Interpretations Committee is operating effectively. We appreciate that members were well-prepared for the meeting and contributed useful comments during the meeting.

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

Agenda Criteria

The criteria for the Committee to address an issue by issuing an Interpretation are as follows:

- (a) *The issue is widespread and has practical relevance*
- (b) *The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice). The Committee will not add an item to its agenda if IFRSs are clear, with the result that divergent interpretations are not expected in practice.*
- (c) *Financial reporting would be improved through elimination of the diverse reporting methods.*
- (d) *The issue can be resolved efficiently within the confines of existing IFRSs and the Framework, and the demands of the interpretation process.*
- (e) *It is probable that the Committee will be able to reach a consensus on the issue on a timely basis.*
- (f) *If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities. The Committee will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the Committee requires to complete its due process.*

11.	The Criteria for the Committee's interpretative agenda are appropriate and adequate.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	The Agenda Criteria are applied appropriately and consistently.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Comments on Agenda Criteria

We generally agree that the criteria for the Committee's interpretative agenda are appropriate and adequate.

It is noted that the Interpretations Committee has recently been charged with the responsibility for deliberating and recommending amendments to IFRS through the annual improvements process. We are supportive of this move as it can help ensure that urgent or emerging accounting issues are identified and addressed in a timely and efficient manner.

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

Outputs from the Committee

The Committee addresses issues by:

- (a) issuing IFRIC interpretations
- (b) proposing issues to the IASB for inclusion in Annual Improvements
- (c) making recommendations for the IASB to address an issue in some other way, for example inclusion in an existing IASB project or consideration in a post-implementation review
- (d) issuing an agenda decision not to address an issue through one of the above routes. Agenda decisions for issues considered for an Interpretation are published for public comment for 30 days before being finalised.

13.	The Interpretations issued and Annual Improvements proposed meet the needs of the IASB and the IFRS Foundation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	The Interpretations issued are effective (their number, frequency and content) in meeting the needs of constituents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	The Annual Improvements issued are effective (their number, frequency and content) in meeting the needs of constituents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	Agenda decisions are issued when the Committee decides not to take an issue onto its agenda. Some of these agenda decisions do not propose any further action. The content of such agenda decisions is appropriate and sufficient when:						

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	(a) the Committee believes the Standards provide sufficient guidance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) the Committee is unable to reach a consensus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	The consultative due process for agenda decisions is appropriate and sufficient	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Comments on Outputs from the Committee</p> <p>It is noted that the Committee publishes an explanation of its rationale for not taking an issue onto its agenda and allowing the public to submit comments on the draft within 30 days. We considered that the 30 days consultation period for the Committee's tentative agenda decisions is restrictive, particularly if the issues in question are controversial and not straightforward. We suggest that the 30 days consultation period be extended to at least 45 days if warranted by the circumstances.</p> <p>The Committee is encouraged to give better indications of acceptable/unacceptable IFRS treatments in their "agenda decision" commentaries where for example the Committee considers that the "the standard is clear" (i.e. it would be more helpful if the Committee can directly point out the answer that can be found in the standard. For example, in relation to the agenda request on IAS 1 Presentation of Financial Statements – Current/non-current classification of callable term loan, it was noted that the agenda decision does not include a clear quotable text that such callable term loans should be classified as current) or where the Committee thinks there is more than one acceptable answer under the current standards (ie where there is no clear consensus within the Committee as to a single right answer).</p>							
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							
<p>Communications</p>							
18.	The Committee's communications are optimal and effective (IFRIC Update and post-meeting podcast)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.	When appropriate, the Committee and/or the Committee staff liaises effectively with	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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		1	2	3	4		
	other similar interpretations bodies and National Standard Setters.						
20.	The Committee's activities are sufficiently transparent to stakeholders.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Comments on Communications</p> <p>We believe that the IFRIC Update and post-meeting podcast are effective for their purpose and are issued on a timely basis.</p> <p>We support the IASB staff maintaining liaison with National Standard Setters on issues that have widespread implications.</p>							
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							
Leadership							
21.	Please rate the effectiveness of the Chair.						
	(a) Discussions are at the appropriate level of detail.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Discussions are focused on the right issues.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Issues are identified and deliberated in a timely and effective manner.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IFRS Interpretations Committee Review

Comments on Leadership

We are appreciative of the IASB staff's timely response to our requests and taking those requests into the meeting agenda of the Committee.

We are also grateful for the efforts of the Chairman of the Interpretations Committee, Bob Garnett, who made special arrangements to visit Hong Kong on 22 July 2010 to provide a seminar to our members about the IFRS developments, met with the financial reporting standards committee to explain the rationale of the Committee's conclusions on our agenda requests and listen to our concerns on some of the IASB's exposure drafts. The direct contact with the Chairman is very useful and can enhance communication on matters of mutual concerns.

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

Interaction with the IASB

The designated Board observers are (from July 2010) Philippe Danjou, Amaro Gomes, Patricia McConnell and Wei-Guo Zhang . They are encouraged primarily to listen and to provide Board Member perspectives on issues being discussed rather than participate in the debate. The Director of Implementation Activities provides an oral update to the IASB after each Interpretations Committee meeting.

22.	The Committee interfaces effectively with the IASB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.	The IASB responds effectively to the IFRS Interpretations Committee's recommendations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Comments on Interaction with the IASB

We support the IASB's involvement with the Committee meetings and encourage further participation by being also involved in the post implementation review launched by the IASB.

Overall evaluation

24.	Overall, the Committee is achieving its stated objectives and scope of activities.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

IFRS Interpretations Committee Review

Comments:

Please list the three aspects of Committee's activities that, in your opinion, are working best.

- We are appreciative of the IASB staff's timely response to the requests from constituents.
- The direct contact with the Chairman of the Committee enhances communication on matters of mutual concerns.
- We support the IASB staff maintaining liaison with National Standard Setters on issues that have widespread implications.

Please list the three aspects of Committee's activities that, in your opinion, are in the most need of improvement.

- We considered that the 30 days consultation period for the Committee's tentative agenda decision is restrictive, particularly if the issues in question are controversial and not straightforward. We suggest that the 30 days consultation period be extended to at least 45 days if warranted by the circumstances .
- The Committee is encouraged to give better indications of acceptable/unacceptable IFRS treatments in their "agenda decision" commentaries .

Do you have any suggestions on improving the process of assessing the Interpretations Committee?

We encourage the Committee to strengthen its relationship with National Standard Setters and believe that increased field-testing prior to publication of interpretations would enhance their effectiveness and the Committee's standing. Given the increase in new standards and the number of constituencies that will adopt IFRS in the coming years, we foresee the Committee's role becoming increasingly important. We encourage that the Committee works closely with the IASB on post implementation reviews of standards.

General comments: use this space for any general comments that you may have.

None