

30 November 2010

The Trustees
IFRS Foundation
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

Email: improvementscriteria@ifrs.org

Dear Sir/Madam

SAICA SUBMISSION ON THE IFRS FOUNDATION'S CONSULTATION DOCUMENT *THE ANNUAL IMPROVEMENTS PROCESS: PROPOSALS TO AMEND THE DUE PROCESS HANDBOOK FOR THE IASB*

In response to your request for comments on the IFRS Foundation's consultation document on *The Annual Improvements Process: Proposals to amend the Due Process Handbook for the IASB*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA). Please note that SAICA is not only a professional body, but also secretariat for the Accounting Practices Board (APB), the official standard-setting body in South Africa. The SAICA comment letter results from deliberations of the Accounting Practices Committee (APC), which is the technical advisory body to the APB.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

Sue Ludolph
Project Director – Accounting

cc: Moses Kgosana (Chairman of the Accounting Practices Board)
Prof Alex Watson (Chairman of the Accounting Practices Committee)

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QUESTION FOR CONSIDERATION

The proposed amendments to the IASB Due Process Handbook are intended to provide enhanced criteria to assist the IASB and interested parties when determining whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process.

Do you think that the proposed criteria provide a sufficient and appropriate basis for assessing whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process? If not, what changes would you propose and why?

We are supportive of all the criteria except for 65A(d) – *“If the proposed amendment is to IFRSs that are the subject of a current or planned IASB project, there must be a pressing need to make the amendment sooner than the project would”*.

Although it states *“if there is a **pressing need** to make the amendment sooner”* (emphasis added), we are concerned how this will be assessed. For example, in one of the previous *Annual Improvements Process* (‘AIP’) (issued in May 2008), the Board aimed to clarify the distinction between short-term and long-term employee benefits. Unfortunately, the new wording was also ambiguous, which caused probably just as much confusion as the original wording. Instead of including it in the next AIP (which was issued in April 2009) to clarify the definitions, it was included in the IAS 19 – *Employee Benefits*, defined benefit project. The problem is that the exposure draft on the IAS 19 project was only issued for comment in April 2010 (with a comment deadline of 6 September 2010 and the final standard is expected first quarter of 2011); whereas it could have been issued as part of the AIP in either April 2009 or in May 2010.

Our concerns with not addressing something that meets all the AIP requirements other than 65A(d) as part of the AIP process are the following:

- Timing – we believe the AIP process would/should be much quicker. Generally, in an IASB project there are likely to be many issues being addressed. Often they are controversial or complex, which could result in the Board project taking a fair amount of time to complete. The AIP is annual. If existing standards require clarification, this should be done without delay. Of course, if for some reason the Board project would be issued before the next AIP process, then it would make sense to include it in the Board project.
- If the annual improvements are not meant to introduce new concepts or change existing concepts, we do not believe it makes sense to include them in a Board project aimed at making changes to existing concepts or introducing new concepts. For example, in the employee benefit example above, this issue was totally unrelated to the issues that were initially intended to be the subject of the exposure draft. We are also of the view that there should not be a delay in providing clarification on existing standards that preparers are currently required to apply.

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Therefore, our suggestion would be to drop 65A(d) or to state that the issue would only not be included in the AIP if the Board project would result in the amendment being issued sooner.

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