



**The Japanese Institute of
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February 2, 2011

IFRS Foundation
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London EC4M 6XH
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Comments on the *IFRS Interpretations Committee Review*

To the Trustees:

The Japanese Institute of Certified Public Accountants (“we” and “our”) would like to express its sincere appreciation for the opportunity to comment on the *review of the IFRS Interpretations Committee*, in the questionnaire dated November 2, 2010.

We strongly support the purpose of the IFRS Interpretations Committee’s activities to interpret the application of the IFRS and provide timely guidance on financial reporting issues not specifically addressed in the IFRS; as well as the scope of its activities to address newly identified issues yet to be specifically addressed in the IFRS, and any issues interpretations which seem or are likely to be insufficient. However, we are concerned that the Committee does not always provide timely and appropriate guidance, and a part of the committee activities does not adequately reflect its purpose.

This is mainly attributed to the fact that the number of requests for the IFRS Interpretations Committee substantially exceeds its capacity and resources in the current system. We understand that this is not only because of the shortage of committee members, but also because of many factors such as the methods applied in the consultation process, support from appropriate experts, and the quality of the staff. In anticipation of the application of IFRSs on more global basis, we believe that the

Interpretations Committee will be unable to achieve its purpose without adjusting its current organization.

Based on the above, we propose that the current 14 members of the Interpretations Committee be increased. Also, in addition to the deliberations by all of the members, we propose that the Committee establish separate authorized subcommittees of the members, in order to deliberate each major issue. These changes will help secure necessary resources, and a more efficient process for reaching agreements.

We have responded to the questionnaire with these points in mind. Again, we would like to express our appreciation for this opportunity you have given us.

Yours faithfully,

Keiko Kishigami

Executive Board Member - Accounting Practice (IFRS)

The Japanese Institute of Certified Public Accountants



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 Japanese Institute of Certified Public Accountants (JICPA)
(All responses will remain confidential.)

Background:

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

- User
- Preparer
- Auditor
- Regulator
- Academic
- Other (please explain)

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 checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	The Committee's activities appropriately reflect its objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Paragraph 43 of the IFRS Foundation's Constitution.

IFRS Interpretations Committee Review

Comments on Objectives and Scope of Activities of the Interpretations Committee

The objectives of the Committee's activities are to interpret the application of IFRSs and to provide timely guidance on financial reporting issues not specifically provided in IFRSs; as well as the scope of its activities to address newly identified issues yet to be specifically addressed in the IFRS, and any issues interpretations of which seem or are likely to be insufficient. If we assume that the standards are to be principle-based, we should not call for unduly detailed guidance. However, under the current circumstances, we acknowledge that there are cases where guidance must be somewhat detailed to prevent diversity in application and practice. From this perspective, we strongly support the objectives and scope of the Committee's activities. However, we are concerned that the Committee does not always provide timely and necessary guidance, and a part of the Committee's activities does not adequately reflect its objectives.

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

#	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 checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IFRS Interpretations Committee Review

Comments on Membership of the Interpretations Committee

We believe that the 14 Committee members with voting rights appointed by the Trustees for three-year terms of office have sufficient professional knowledge and experiences individually, and that the balance of their composition is almost appropriate. However, the time allotted for the Committee is clearly too short to address the issues in a timely and appropriate manner with the current resources. We also see several hurdles to committee deliberations and expect that the required participation of all 14 members constrains the mobility and flexibility of deliberations in many cases.

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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(e) Quantity of agenda material.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(f) Timely provision of agenda materials (observer notes).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" 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							

IFRS Interpretations Committee Review

Comments on Operating Procedures of the Interpretations Committee

As we argued at the section for Membership, constraints on the number of Committee members and the time available have led to deficiencies in the resources put in. The current agreement process based on participation by all members has stalled prompt agreements. Although some of the Agenda materials are high quality, they need improvement overall. To this end, the quality of the staff supporting the Committee members should be improved. These factors have impeded the implementation of high quality, timely initiatives that meet the expectations of stakeholders.

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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	The Agenda Criteria are applied appropriately and consistently.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IFRS Interpretations Committee Review

Comments on Agenda Criteria

The Agenda Criteria emphasize the relationship with the practices, and diversified interpretations are expected to take place in the practices. The agenda must be considered in the context of the costs and benefits, and they must be the issues requiring urgent issue of guidance. In this respect, we believe that the current agenda criteria meet sufficient and appropriate requirements for any issue to be deliberated as agenda. However, constraints in resources and time have sometimes prevented the Committee from applying these criteria appropriately as it deliberates the proposed issues. As a result, many issues have been not taken as agenda, not adequately meeting the expectations of stakeholders.

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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" 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						

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
	further action. The content of such agenda decisions is appropriate and sufficient when:						
	(a) the Committee believes the Standards provide sufficient guidance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	The consultative due process for agenda decisions is appropriate and sufficient	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Comments on Outputs from the Committee</p> <p>Only about two or three interpretations have been issued per year (IFRIC 19 in November 2009, IFRIC 18 in January 2009, IFRIC 17 in November 2008, IFRICs 16 and 15 in July 2008, and IFRIC14 in July 2007). This is too few. Moreover, the interpretations issued have been very limited in scope. In terms of clarity, some have fallen short of the expectations of the stakeholders. The IFRIC deliberated some of the issues expected to be covered on a timely basis in the interpretations, but ultimately these issues were referred to the IASB and deferred (the IASB included them in its project). So we are also concerned about the timeliness of the interpretations.</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 checked="" type="checkbox"/>	<input 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 other similar interpretations bodies and National Standard Setters.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.	The Committee's activities are sufficiently transparent to stakeholders.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IFRS Interpretations Committee Review

Comments on Communications

“ Meeting Diary” with details on the agenda of the Committee and the “IFRIC Update” with the summary of the recent developments and decisions have been posted on the IASB website on a timely basis after the respective meetings of the Committee. This enables the Committee to communicate sufficiently. On the other hand, the liaison among standard setters and interpretation setting organizations in individual jurisdictions has been lacking. We have also noted biases in the selection of the issues to deliberate.

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

Leadership

21.	Please rate the effectiveness of the Chair.						
	(a) Discussions are at the appropriate level of detail.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Discussions are focused on the right issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Issues are identified and deliberated in a timely and effective manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments on Leadership

The Committee should only focus on issues that have widespread practical impacts. However, due to private interest, some agenda with very limited application are sometimes discussed on a priority basis. In some cases, there also seem to be practical problems in the Committee operations. The Committee should utilize the Committee time to the maximum extent by achieving more efficient operations.

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" 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							
Comments on Interaction with the IASB							
It can generally often be clear to determine whether an issue requires deliberation by the IASB. However, it often takes too much time to reach this determination. Currently the IASB workload is prohibitive, which prevents the IASB from responding adequately to the requests of the Committee. Therefore, we acknowledge that the IASB has not always been able to promptly deliberate the issues it needs to address.							
Overall evaluation							
24.	Overall, the Committee is achieving its stated objectives and scope of activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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							



IFRS Interpretations Committee Review

2 November 2010

IFRS Interpretations Committee Review

Comments:

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

1. Every Committee member has participated positively in the formation of the agreement.
2. The primary agenda criteria the Committee has defined are appropriate in themselves.
3. Communication with external parties is sufficient and effective.

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

1. Output is insufficient in terms of quality and volume.
2. Too many issues are neglected as agenda, and those that are taken up as agenda are somewhat biased.
3. The quality of the Committee staff members and agenda papers must be improved.

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

The deliberations process should be improved. The shortfall of resources should be resolved by increasing the number of Committee members. And a more suitable framework for efficient consensus-building can be attained by forming subcommittees set up for the deliberation of major issues and assigning the Committee members to them, respectively.

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