

# **Straight away**

## IFRS bulletin from PwC

26 October 2012

### **IFRS Foundation staff respond to SEC report on IFRS 'work plan'**

#### **What's the issue?**

The staff of the IFRS Foundation (the parent organisation of the IASB and the IFRS IC) has published a response to the final report on the [SEC's IFRS 'work plan'](#) (the SEC report). The Foundation's staff response is described as a 'convenience' for interested parties and as 'not approved' by the IASB or the Trustees of the IFRS Foundation.

The SEC issued their final report on the IFRS 'Work Plan' in July 2012 (see [Straight away 74, 'SEC reports on IFRS'](#)). The report completed the work programme that the SEC Commissioners had requested the staff to undertake to enable a US decision on whether to adopt IFRS for domestic companies. The SEC staff did not express an opinion, and no next steps were identified in the report. The chairman of the IFRS Foundation trustees had promised that the Foundation would give careful consideration to the SEC report.

The Foundation staff response acknowledges the leadership role that SEC has played over nearly 40 years in the development of IFRS as a high-quality set of global accounting standards. The SEC supported the formation of the IASC, forerunner to the IASB, in 1973.

#### **What is in the response?**

The response analyses the main issues identified by the SEC and sets out the perspectives of the Foundation staff. It seems to draw different conclusions from those reached in the SEC report in

several areas. It also sets out information that they indicate might not have been fully considered or given appropriate weight by the SEC staff.

Michel Prada, chairman of the IFRS Foundation Trustees, expressed disappointment at the SEC staff report when it was published, given the IASB efforts on convergence and the engagement of the SEC in the work of the IASB; the Foundation staff response has a similar tone.

The Foundation staff's response analyses the key areas of comment in the SEC staff report, including:

- the governance, funding and due process of the IASB and the IFRS Foundation;
- assessing IFRS as a set of global accounting standards;
- how IFRS might be implemented in the US; and
- the practical experience of adoption in other countries, including the cost of transition for preparers and investor education issues.

The SEC staff report identified potential improvements in the IFRS interpretative process, the enforcement and co-ordination activities of regulators and better working with national standard setters. The Foundation response sets out actions in most of these areas that are in progress in response to reviews undertaken earlier by the Foundation Trustees and Monitoring Board.

A final section of the Foundation staff response considers the benefits of IFRS,

including how the US might benefit from adoption, although this was not a focus of the SEC report. An academic summary analysis of a number of studies of the empirical benefits of IFRS is attached to the Foundation staff response.

#### *What conclusions does it reach?*

The Foundation staff response does not reach any formal conclusions and is not a due process document of the IFRS Foundation. The Foundation staff response provides interesting insight into the perspectives of the Foundation on the accomplishments and challenges of developing and maintaining a comprehensive body of accounting standards suitable for global use.

#### **Who's affected?**

The Foundation staff report will have no immediate direct impact. It seeks the continued involvement of the US in the work of the IFRS Foundation, but there are several observations around the funding model and the number of seats on the IASB and IFRS IC currently occupied by the US.

The discussions and perspectives of the Foundation staff on endorsement mechanisms, transition, the cost and benefits of IFRS adoption will be of most interest to any country that is considering adoption of IFRS.

#### **What's next?**

There are no formal next steps planned by either the IFRS Foundation or the SEC.

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