



International Federation of Accountants

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EFRAG
35 Square de Meeûs
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BELGIUM

By e-mail: commentletters@efrag.org

Dear Sir/Madam,

Re: Discussion Paper: *Considering the Effects of Accounting Standards*

The International Federation of Accountants (IFAC) values the opportunity to provide comments on the Discussion Paper *Considering the Effects of Accounting Standards*. The due process and operating arrangements of international standard-setting bodies, such as the International Accounting Standards Board (IASB), are of particular interest to IFAC. There are four international standard-setting boards operating independently under the auspices of IFAC. They are: the International Auditing and Assurance Standards Board; the International Ethics Standards Board of Accountants; the International Accounting Education Standards Board; and the International Public Sector Accounting Standards Board.

IFAC supports the principle of incorporating effects analysis (in the case of IFAC, it is described as impact analysis) as part of the due process for international standard-setting bodies. In the past year, the independent standard-setting boards operating under IFAC have moved toward introducing impact analysis into their standard-setting arrangements. Although in its formative stages, impact analysis aims to ensure that rigorous impact assessments are performed when developing and issuing new and revised professional standards.

We have chosen not to provide responses to all questions included in this paper. Rather than discussing specific details about the form that effects analysis may take, IFAC has concentrated on the key principles underpinning such analysis (Section 4), and on offering its willingness to share the knowledge and experiences of the independent standard-setting boards in respect of their impact analysis (Section 6).

Section 4: *The key principles underpinning effects analysis*

IFAC regards it as important to enunciate a set of key principles underpinning effects (impact) analysis. A set of clearly stated principles helps to: clarify the objectives of the process; provide a clear picture to interested parties of the process involved; promote consistency across standard-setters; and permit comparisons to be made between different standard-setters. Furthermore, arrangements based on clearly stated principles—rather than detailed prescriptive instructions—

recognize that while the general approach to undertaking such analysis will be similar across different bodies, a tailored approach to the analysis, which evolves over time and requires enhancement, may be required to suit the circumstances of individual standard-setters.

The independent standard-setting boards operating under IFAC are currently testing arrangements for undertaking impact analysis. While the description of the principles guiding this impact analysis may differ from how the principles in the Discussion Paper are described, it could be said that they are consistent. We offer some general comments on the proposed key principles proposed in the Discussion Paper.

- IFAC considers that it is critical to explain the intended outcome of a proposed standard or project. Without clarity of the intended outcome (refer to proposed Principle 1), constituents do not have a clear frame of reference for providing input on the anticipated effects (impacts) of the proposed standard or project. Furthermore, an explanation of the intended outcome provides greater clarity about the nature and magnitude of the project, and hence the potential seriousness, or depth, of any effect (impact).
- In encouraging input (refer to proposed Principle 2), IFAC notes the importance of transparency and disclosure to ensure that constituents are aware of the manner in which input is being considered, and where appropriate, addressed.
- IFAC regards it as important that effects (impacts) be considered throughout the due process (refer to proposed Principle 4), as it is likely that feedback received during the process will assist in guiding decisions about the direction, and in some circumstances the possible revision or cessation, of the project.

Section 6: *Next steps*

IFAC considers it important for all standard-setters, including the IASB, to ensure that they have effective and transparent arrangements for undertaking analysis of the effects (impacts) of the development of standards as part of their due process. IFAC is willing to share the knowledge and experiences of the independent standard-setting boards in developing impact analysis arrangements for the boards. IFAC sees it as important for bodies sharing a common interest in this area to collaborate and coordinate, as appropriate, to ensure that the most suitable and robust arrangements are devised and enacted.

Please do not hesitate to contact me should you wish to discuss any of the matters raised in this submission.

Sincerely,



Ian Ball
Chief Executive Officer