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Our ref : RJ-EFRAG 582 A
Direct dial : (+31) 20 301 0391
Date : July 11th 2019
Re : Comments on draft comment letter regarding “Proposed amendments to the IFRS Foundation Due Process Handbook”.

Dear mr. Gauzés, dear Jean-Paul,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to the Exposure Draft regarding the “Proposed amendments to the IFRS Foundation Due Process Handbook”, that was issued by the IFRS Foundation (in revised version) on 23 May 2019.

In general, we support EFRAG’s proposed responses¹ to the questions in the Exposure Draft of the IFRS Foundation. (For this draft comment letter please refer to the link in the footnote).

However, regarding *effect analysis, agenda decisions and educational materials* we would like to add some additional remarks to complement the EFRAG draft comment letter.

- *Effect analysis*

Paragraph 9 on page 3 of EFRAG’s draft comment letter states that “EFRAG would encourage the extension of the effect analysis process over time to include relevant macroeconomic effects and expanded

¹ <https://www.efrag.org/News/Project-370/Draft-comment-letter-on-Proposed-Amendments-to-the-IFRS-Foundation-Due-Process-Handbook>

quantitative data as these are essential to a full analysis and understanding of the effect of a major change to IFRS Standards.”

On the one hand, we do agree with the inclusion of macroeconomic effects and quantitative data in the effect analyses in case of major changes in the Standards, preferably in an early stage in the project as it could offer relevant information on the impact of new or amended standards and could accelerate the standard setting process and subsequent endorsement in the EU. On the other hand, such analyses could delay the issuance of final standards, as thorough and accurate execution of these analyses could require substantial time and resources. It is not clear from the Exposure draft how and at what level of detail the IASB should prepare the analyses. In our view, a due process for standard setting not only comprises carefully drafted texts, but also timely publication of (new or amended) final standards. As reflected in paragraph 3.80 of the revised Handbook, the Board must ensure that quantitative assessments should only be undertaken where relevant and in a proportionate way, to which we would add that it should not unnecessarily delay standard setting.

- *Agenda decisions*

The DASB opposes to the introduction of agenda decisions as a new tool for the Board. In our opinion, the current agenda decisions of the Interpretations Committee already show their unintended side effects. They lead amongst others to discussions on application of error accounting versus application of accounting policy changes. We believe that agenda decisions of the Interpretations Committee should only state that a project will not be executed, with the sole substantiation that the standards are considered to be clear on the subject and without adding any further explanation or wording.

Any new explanation/guidance in addition to existing standards, for instance guidance on in what order to read through standards, should be dealt with in one of the existing standard setting processes (e.g. addition of implementation guidance, additional illustrative example, addition to the basis for conclusions) including existing due process as currently applied by the Board. This is to ensure that it is clear to all stakeholders that something has changed and therefore should not lead to error accounting, as the latter does not help in building trust in financial reporting.

The new paragraph 5.17 of the Handbook outlines the ballot procedure for agenda decisions: “A simple majority of Interpretations Committee members present decides, after a debate in a public meeting, whether to add a project to the standard setting agenda.” Following this procedure, only a simple majority is required for agenda decisions of the Committee. In our view, an agenda decision should require the support of a broader consensus in the Committee (e.g. not more than 3 votes against), as agenda decisions deal with the clarity of the standards. If an agenda decision is based on a simple majority (e.g. a majority of 8:6) this inherently reflects that there is ample discussion on the clarity of the standards under review. The DASB is of the opinion that this in itself should justify adding a separate (small) project to the standard setting agenda, instead of an agenda decision.

- *Educational materials*

The revised handbook defines three broad categories of educational material; for each category, a minimum level of review is specified (varying from 1 to 3 reviewing Board members). We agree with EFRAG’s point of view that these different levels of review imply that some educational material could have a pervasive effect. However, if educational material has a pervasive effect (irrespective of the form

of that material such as high-level webcasts or detailed examples), it should always follow a due process. Comparable to the agenda decisions of the Interpretations Committee, the status of such educational material - and all interpretations therein - is often not clear. The development of educational material in our view should not result in standard setting, nor should it add or change requirements in existing standards. Such changes should follow the regular standard setting procedures as mentioned before.

Please do not hesitate to contact us should you require further information on these comments.

Yours sincerely,

prof. dr. Peter Sampers
Chairman Dutch Accounting Standards Board

Note:

We sent an identical letter to the IFRS foundation, in response to their Exposure Draft.