



American Institute of CPAs  
1211 Avenue of the Americas  
New York, NY 10036-8775

November 30, 2011

Mr. Hans Hoogervorst  
Chairman, International Accounting Standards Board  
30 Cannon Street  
London EC4M6XH  
United Kingdom

Dear Mr. Hoogervorst:

**Re: Request for Views on Agenda Consultation 2011**

The American Institute of Certified Public Accountants (AICPA), founded in 1887, is the world's largest association representing the accounting profession, with nearly 377,000 members in 128 countries. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting; membership is also available to accounting students and CPA candidates. The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, and federal, state, and local governments. The AICPA also develops and grades the Uniform CPA Examination.

The Financial Reporting Executive Committee (FinREC) is the senior technical committee of the AICPA for financial reporting. The mission of FinREC is to determine the AICPA's technical policies regarding financial reporting standards and to be the AICPA's spokesperson on those matters, with the ultimate purpose of serving the public interest by improving financial reporting.

FinREC is pleased to offer comments on the IASB's Agenda Consultation 2011.

We agree with the five strategic areas driving the work of the IASB and the two main categories into which they fall: developing financial reporting and maintaining existing IFRSs. We also agree that the IASB's strategic priorities need to be balanced.

**The Conceptual Framework**

We believe the IASB should continue to focus on the completion of the conceptual framework, including a presentation and disclosure framework. Establishing fundamentals is necessary to guide the Board as it continues to develop IFRSs, so the standards satisfy desired objectives and are internally consistent and understandable. Furthermore, the conceptual framework is also needed for preparers of financial statements, to guide them when they are confronted with inevitable gaps in the standards.

One concept that should be considered as part of the conceptual framework project is how consistency should be emphasized in the framework. If that concept were further developed, the Board's decisions on the level of specificity in individual subsequent standards projects or the accompanying implementation guidance would be informed with that concept. Reaching a common understanding about how much diversity in interpretation is acceptable is important, among other reasons, because it affects how the Board should respond to jurisdictional implementation needs and differences. As part of this process, we encourage the Board to engage in a dialog with national standard-setting organizations to address key objectives in establishing a conceptual framework.

We believe the disclosure framework aspect of this undertaking is particularly pressing, because the IASB has an opportunity to forestall disclosure overload while improving the quality of information provided to users of financial statements. Current disclosure requirements are developed as individual standards are developed, often without clear communication objectives. A disclosure framework would help the Board to rationalize disclosure requirements and could focus preparers on providing clear communication of matters that are important for users of financial statements to understand. We encourage the Board to take advantage in this regard of the work done by national standards setters and others.

### **Researching Strategic Issues**

We encourage the Board, in setting its agenda, to identify the gaps in IFRS and to consider how they will be filled. While we encourage the Board to improve its research of strategic issues for financial reporting, we believe it is equally important for the Board to strive to anticipate shorter-term issues before a financial reporting failure occurs. To both of these ends, we encourage the Board to—

- Expand its use of academic research.
- Discuss emerging issues regularly with national and international regulators.
- Review financial reporting failures with the objective of identifying weaknesses in current standards.

### **Standards-Level Projects**

Regarding standards-level projects, we believe completing the convergence projects should be the Board's top priority. Other priority standards projects include financial instruments with characteristics of equity and financial statement presentation. However, the latter project should continue to be approached very deliberately with extensive constituent outreach. Moreover, in developing all of its standards, the Board should feel constrained by its conceptual framework. If that framework continues to be developed and improved as we suggest, we think the Board should adhere to the concepts in the framework when making decision on individual standards. However, if the Board feels compelled to stray from the framework, a clear articulation of that fact and why should be communicated to constituents in the basis for conclusions of that standard.

## **Maintenance of IFRSs**

We believe that post-implementation reviews should become a significant Board activity. We encourage the Board to develop a process on how post-implementation reviews will occur and consider seeking broad input on that process through a comment letter process. We encourage the Board to make the review process as transparent as possible regarding the feedback received and the decisions made based on that feedback.

## **Implementation Needs**

Finally, we recommend that the Board consider the process and the level of activity of the IFRS Interpretations Committee. We note the recent uptick with issues considered by the committee, but historically we have been concerned that the right issues may not be surfaced in a timely manner. Furthermore, we believe the transparency and due process around the committee's agenda decision-making process could be improved. For example, when the committee rejects an issue being considered for its agenda, the meeting materials generally provide the committee's view on the accounting. This process contradicts the due process the Board follows with other standard setting and has the potential to cause financial reporting challenges for constituents that may have applied an accounting principle in a way that differs from the committee's view.

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We appreciate the opportunity to comment on the Agenda Consultation. We are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

Richard Paul  
Chairman  
Financial Reporting Executive Committee