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**Deloitte
Touche
Tohmatsu**

20 May 2004

Mr. Paul A. Volcker
Chairman, IASC Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir,

IASC Foundation Constitution Public Hearing

Deloitte Touche Tohmatsu is pleased to participate in the International Accounting Standards Committee Foundation's (the IASCF's) public hearings on its constitution. Appendix A to this letter addresses the specific issues raised by the IASCF in its 22 March 2004 issues paper.

Deloitte Touche Tohmatsu supports the development of a set of globally accepted accounting standards that will enhance the efficiency of the capital markets around the world and increase the quality of information reported by entities in many jurisdictions. These standards should be principle-based in order for information to be presented in the manner most useful for users around the world and developed by independent, private sector standard setters. We therefore support the International Accounting Standards Board (IASB) as an organisation well positioned to achieve this aim.

The comments in this document supplement the comments made in our comment letter to the IASCF dated 11 February 2004 (attached and herein referred to as "comment letter"). As noted in that comment letter, we broadly support the current constitution but believe there are certain due process issues that should be addressed. We believe that these issues are causing a perception that the IASB does not give sufficient consideration to comments from constituents and fails to recognize fully the practical application issues relating to the implementation of its standards.

We appreciate the opportunity to discuss these issues on 3 June 2004. If you have any questions concerning our comments, please contact Ken Wild in London at (020) 7007 0907.

Sincerely,

Deloitte Touche Tohmatsu



Appendix A
Comments of Deloitte Touche Tohmatsu on
IASCF Issues Paper

Issue 1: Whether the objectives of the IASCF should expressly refer to the challenges facing small and medium-sized entities (SMEs)

The specific needs of users may be different depending on the type, size or accountability of an entity. Therefore, we support the IASB's project to determine which portion of IFRS can or must be applied to a certain category of companies. However, the objective of providing high quality, transparent and comparable information, noted in the constitution, should be applicable to all entities. It is the extent and form in which the information is communicated to the user which should reflect the different users. Consequently, we do not believe the constitution should specifically require consideration of a specific category of entities—especially when the definition of that category of entities is a matter of considerable debate. (We note the IASB is currently working with a definition different from other national standard setters.)

Rather, the constitution, if it is to be changed, should refer to a requirement to consider the needs of different user groups. While this might lead to the IASB producing standards which apply to different categories, it places the responsibility for determining the appropriate boundaries in each case on the Board, rather than seeking to impose a specific structure which might prove inappropriate in some circumstances. Furthermore, the proposed addition to paragraph 2(b) appears to suggest that in promoting the application of its standards, the IASCF should consider whether application should be less rigorous for SMEs and entities in emerging economies. This would seem to imply that a single set of standards might be applied with less rigour in some jurisdictions than in others. We believe this would be inappropriate, and destructive to the IASB's overall objectives. We believe all standards applicable to an entity should be applied with rigour regardless of their category. Rather than reducing the degree of rigour with which the standards are applied, the standards themselves should be amended, or presented as alternative standards, which are designed to meet the needs of the users in the relevant category or jurisdiction.

We note that the issues paper suggests educational activities could address the concerns of SMEs and other objectives of the IASCF. We do not believe it should be the role or responsibility of the IASCF to engage in educational activities since it distracts the IASB from its primary objective of setting clear and principle-based accounting standards and may effect the application of guidance that is not subject to proper due process. We use the abbreviated versions of the IAS standards issued by the IASCF as highlighting the question of whether the IASB intended those deleted paragraphs to be superfluous and/or optional. We believe more confusion will be caused by the IASCF undertaking these activities than will be alleviated. We would also seriously question whether the IASCF will raise any money from such a move, or whether it could end up adding to the burden of its costs. There are already a number of private sector competitors entering this market, as are a number of local professional bodies, such as local Institutes of Accountants. We would expect that these local bodies, in view of the fact that they will draw on the local culture and transaction flows, are more likely to be successful than the IASCF.

Issue 2: Number of Trustees and their geographical and professional distribution

We address this issue specifically on page 1 of our comment letter and continue to believe the constitution should be written to provide the flexibility to change the representation of the trustees as conditions evolve. Therefore, our preferred approach would be not to set specific rules in the constitution, but identify the basic principle of representation.

Appendix A

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Issue 3: The oversight role of the Trustees

As noted on page 4 of our comment letter, greater consultation regarding agenda prioritisation should occur. The result from this process would allow users, preparers, and the general market to anticipate and understand change. The pace and volume of changes to the current standards—along with the subsequent modifications to those changes—has created a situation where only a select few individuals can understand where the IASB is going and when it will get there. The requirements in IFRS 1 to predict changes through 31 December 2005 for most companies has exacerbated this issue.

As noted in our comments to Issue 1, we do not believe the IASCF or IASB should engage in educational programmes.

Issue 4: Funding of the IASC Foundation

We believe there are generally three main funding models that can be applied: 1) fee-based, 2) endowment, or 3) annual contributions. We understand the IASCF is not in a position to implement a fee-based system and therefore can only apply its current model of annual contributions or an endowment model. We do not believe one model is preferable to the other, however we stress that whatever model is chosen, the independence of the IASCF both in fact and appearance should be maintained.

Issue 5: The composition of the IASB

Consistent with the remarks on page 2 of our comment letter, we believe the constitution should be sufficiently flexible to cater for the changing dynamics around the use of IFRS around the world. In that regard, we support the principle in the issues paper stressing that membership be determined on “professional competence and practical experience”. We therefore support the IASCF’s proposal not to address issues of specifics (such as geographical representation) and not to relax the specific requirements of professional background.

Issue 6: The appropriateness of the IASB’s existing formal liaison relationships

As noted on page 2 of our comment letter, we strongly support the notion of consultation with liaison standard setters, but believe the constitution should be sufficiently flexible to cater for the changing dynamics around the use of IFRS around the world. Therefore, we support the proposals in the IASCF issues paper.

Issue 7: Consultative arrangements of the IASB

The issue of due process is discussed at length on pages 3 and 4 of our comment letter. We identified the key issue as being issues of perception, logistics, practical application and transparency. While the process undertaken by the IASB to review its procedures is a positive step forward, we believe it is the primary role of the trustees to ensure the concerns of the stakeholders in the process are being appropriately addressed.

Appendix A
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IASCF Issues Paper

Issue 8: Voting procedures of the IASB

As noted in our comment letter, we are broadly supportive of the current structure. We have no preference for either an 8-vote or 9-vote model as this will likely have little effect on outcomes. We believe that concerns in this area would be better addressed by adding a criterion for the Trustees to consider whether a prospective Board member would consider the views of constituents and other Board members carefully before supporting or rejecting a proposed approach.

Issue 9: Resources and effectiveness of the International Financial Reporting Interpretations Committee (IFRIC)

As noted on page 4 of our comment letter, there is considerable confusion as to the role and purpose of IFRIC and we support a review of its process by the Trustees. We believe IFRIC is currently conducting activities that are not consistent with the spirit of paragraph 37 of the Constitution. These issues must be considered in light of the Trustee's obligation to promote rigorous application of IFRS.

Issue 10: The composition, role, and effectiveness of the SAC

As noted on page 2 of our comment letter, we believe the Constitution should be amended to require that the Chairman of SAC not be a member of the IASB. We further noted that the success of any proposals is dependant upon Board members willingness to consult and not merely inform constituents of Board affairs and decisions.