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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 19 July 2007, London

Project: Conceptual Framework

Subject: Phase D: Reporting Entity Comment Period for Discussion Paper/Preliminary Views (Agenda Paper 2D)

INTRODUCTION

1. At their May meetings, the Boards' directed the staff to proceed with drafting a Discussion Paper/Preliminary Views (DP/PV) on the reporting entity concept. [Sentences omitted from observer notes] Currently, the goal is to issue the DP/PV by September.
2. At their July meetings, the staff will ask the Boards to decide on the length of the comment period for that initial discussion document. This paper discusses alternatives and asks whether the Boards agree with a 120-day comment period.

DISCUSSION OF RELEVANT GUIDANCE AND ALTERNATIVES

3. This section recaps the Boards' guidance for determining comment periods for due process documents and, based on that guidance, discusses three alternative

comment periods for the forthcoming DP/PV. They are: (a) as short as 90 days, (b) as long as 180 days, and (c) a period of 120 days. The latter would be consistent with the 120-day comment period of the earlier DP/PV on objectives and qualitative characteristics.

Guidance for Determining Comment Periods

4. Paragraph 97 of the IASB Due Process Handbook (April 2006) says:

The IASB normally allows a period of 120 days for comment on its consultation documents. For exposure drafts, if the matter is exceptionally urgent, the document is short, and the IASB believes that there is likely to be a broad consensus on the topic, the IASB may consider a comment period of no less than 30 days. For major projects, the IASB will normally allow a period of more than 120 days for comments. The comment period on draft IFRIC Interpretations is usually 60 days, but may be less in urgent cases.

5. The FASB Reference Manual¹ provides the following relating to Statements of Financial Accounting Concepts:

The FASB Rules of Procedure states:

- The FASB will expose all proposed Statements of Financial Accounting Concepts for public comment for at least 60 days, unless a shorter period (not less than 30 days) is considered appropriate by the FASB.

Considerations used in setting comment deadlines include the following:

1. The time of year of the comment period. Two different considerations fall under this general heading:
 - a. Most individuals plan their vacations during the summer. Many representational organizations limit their meetings, or hold no meetings, during the summer. Accordingly, in the absence of any urgent need for comments, proposals issued in the late spring or early summer would not have comment deadlines earlier than the end of September.
 - b. The key technical people in accounting firms usually are fully occupied with client matters from mid-December

¹ Posting of June 27, 2007, under the headings of **Document Policies** and **Comment Deadlines**.

through mid-March. . . . Accordingly, we would usually avoid comment deadlines between January and March.

2. The complexity of the proposal. This involves several considerations.
 - a. Extremely complex proposals require more time for thoughtful comments than do simple ones. . . .
 - b. Proposals that would significantly change practice may take longer to understand than proposals that would not have such an effect. . . .
 - c. Generally, an abstract document will take longer to comprehend than a specific one. Thus Invitations to Comment, Preliminary Views, Discussion Memorandums, and Exposure Drafts of Concepts Statements would require longer comment periods than Exposure Drafts of Statements of Financial Accounting Standards.
3. The types of organizations likely to respond to the proposal. The project team should consider the companies and organizations that would be affected by a proposal, including companies and organizations that the staff believes would have useful input on the proposal. The team's knowledge of the industries involved may indicate that a relatively short deadline is appropriate (if the affected groups typically react quickly) or that a relatively long deadline is appropriate (if the affected groups typically react slowly). Also, the team may want to contact specific key organizations to obtain their reaction as to what comment deadline would be reasonable.
4. The urgency of FASB action. On occasion, there may be a reason why a specific effective date should be used for a pronouncement, or final Board action by a specific date may be considered crucial. . . .

Based on the above constraints, comment deadlines would usually be within the following guidelines:

<u>Type of Document</u>	<u>Normal Range of Comment Deadlines</u>
Discussion Memorandums	90 to 180 days
Preliminary Views	90 to 180 days
Invitations to Comment	60 to 120 days
Exposure Drafts of proposed Concepts Statements	90 to 180 days . . .

Discussion of Alternative Comment Periods

6. Based on the Boards' guidance, the staff thinks the range of reasonable possibilities is from as little as 90 days to as much as 180 days.

90-Day Comment Period

7. Advantages of a 90-day comment period include:
 - a. Enables the Boards to begin their redeliberations of the issues sooner. That can be beneficial because the issues will still be fresh and accelerating the redeliberation of the reporting entity phase could provide further insights for considerations about the objective of financial reporting.
 - b. Constituents that are likely to take an interest will get the comment period behind them before the beginning of their busy season and the year-end holidays. [Sentence omitted from observer notes]
 - c. Could facilitate acceleration of the reporting entity phase, which has a relatively small set of well defined issues. [Sentences omitted from observer notes]
8. However, 90 days is less than the 120 days that the Boards provided for the DP/PV on the objectives and qualitative characteristics and less than that is normally called for by the IASB for its consultation papers (discussion papers). Moreover, the staff sees no urgent practice problems or related standard-setting efforts that would require a period of 90 days (or less). Lastly, non-English speaking constituents may not have sufficient time for thoughtful consideration if translation of the DP/PV to their languages and its dissemination consumes significant time.
9. Thus, while there are potential benefits of a 90-day comment period, the staff does not see any compelling need that requires a short comment period.

180-Day Comment Period

10. The staff thinks there are two potential arguments that might be made for a 180-day comment period. They are:
 - a. The concept of a reporting entity is undeveloped in the existing frameworks of both Boards. Thus, unlike the DP/PV on objectives and qualitative characteristics, this due process document is raising issues that may be new to or not well-understood by many of the Boards' constituents and they could benefit from an extended comment period.
 - b. If the Boards' publication slips to October or November, a comment period of 90 or 120 days could fall right in the middle of busy season for many constituents.
11. Nonetheless, the staff thinks neither of those arguments are so compelling as to require as much as a 180-day comment period. First, the reporting entity issues are a much narrower set of issues than addressed in the earlier DP/PV on objectives and qualitative characteristics. Second, a large number of the respondents to that earlier DP/PV were national standard setters, accounting firms, and others that are familiar with the issues surrounding a concept of a reporting entity. Third, even if a portion of the comment period falls during the busy season for some constituents, most of those that have taken an interest in the earlier have sufficient resources to deal with that concern.

120 Days

12. The staff thinks the major benefit of a 120-day comment period is that it overcomes the translation concern noted in paragraph 8.
13. [Paragraph omitted from observer notes]
14. On balance, the staff recommends a 120-day comment period for the forthcoming DP/PV on the concept of a reporting entity.

ISSUE FOR THE BOARDS

- 15. Do the Boards agree that the forthcoming DP/PV on the concept of a reporting entity should be exposed for a comment period of 120 days?**