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1. Introduction

1. This Due Process, Rules and Procedures Handbook (the Handbook) sets out the process that the Accounting Standards Board (ASB) follows in adoption, development and implementation of high quality accounting standards, issuance of guidance and to deal with all related matters. It has been prepared to inform stakeholders about the way in which the ASB recommends adoption of the accounting standards, develops accounting standards and issues accounting guidance, and also includes how stakeholders can participate in the process.

2. The procedures set out in the Handbook, in the aggregate, are described as “Due Process”. They are designed to serve the public interest by addressing the need for transparency of the standard-adoption and setting process, extensive consultation and responsiveness to input received from all stakeholders. The due process procedures are critical in maintaining the objectivity of the standard adoption and setting process and the quality of the pronouncements and guidance issued by the ASB. The basic ingredients of due process are information gathering, discussion and consultation.

3. The ASB’s due process is built on its Terms of Reference (ToRs), approved by the Council of the Institute of Chartered Accountants of Pakistan’s (ICAP). ICAP as a premier accountancy body established under the statute in 1961 serves the public interest at large.

4. The ASB’s Terms of Reference can be found at www.icap.org.pk. The Handbook provides a detailed description of the ASB’s working mechanism.

5. The formal due process procedures for the ASB specify the necessary steps it must take to ensure that its activities have benefited from a thorough and effective consultation process.

6. From time to time the ASB reviews how it is operating to determine whether some of these new and additional steps should be embedded into its due process. Similarly, such reviews could remove or amend due process steps that impede, rather than enhance, the efficient and effective implementation and development of the standards and issuance of technical guidance and responses to the stakeholders.

7. Questions about due process or the ASB’s adherence to the procedures described in this Due Process Handbook should be addressed to the ASB’s Chair or the Director, Technical Services.
II. Function

8. ASB’s function comprises:

   a. To consider, review and recommend to the Council the adoption of the International Financial Reporting Standards (IFRSs) after due consultation with all the stakeholders.

   b. To consider and review the International Public Accounting Standards (IPSAS) and propose to the Council to recommend adoption of the IPSAS to the Auditor General of Pakistan.

   c. To consider, develop and recommend to the Council the adoption of the Islamic Financial Accounting Standards (IFAS) after due consultation with the stakeholders.

   d. To assess the need and develop Local Accounting Standards, wherever necessary, and to recommend their adoption to the Council.

   e. To prepare and submit, with the intention to influence outcomes, comments on exposure drafts or discussion papers or any other communications issued by the IFRS Foundation structures, the International Public Sector Accounting Standards Board (IPSASB) or other bodies, taking the views of stakeholders into consideration.

   f. To develop guidance on all financial reporting matters, formats, checklists etc. wherever required, guidelines and other communications.

   g. To give opinion, views and work on any accounting matter referred by members, companies, the Council, regulatory authorities or any other statutory body / Government.

   h. To conduct research relating to accounting, financial reporting and other related matter.

   i. To develop formats of financial statements of insurance, banks and any other specific sector in coordination with the relevant regulator.

Provided in cases of (a) to (d) above, the Council may refer the matter back to ASB for its reconsideration along with its reasons / observations.
III. Composition

9. The ASB will comprise of sixteen members and will have the following composition:

- 09 Members (minimum 03 representatives from Industry /business) to be nominated by the Council of the ICAP including the Chair
- 01 representative from Academia (PhD) to be nominated by the Higher Education Commission
- 02 nominations by the Board of Securities Exchange Commission of Pakistan
- 01 nomination by the Board of State Bank of Pakistan
- 01 nomination by the Board of Pakistan Stock Exchange
- 01 nomination from Auditor General of Pakistan
- 01 nomination by the Council of the Institute of Cost and Management Accountants of Pakistan
IV. Guiding Principles

10. The ASB recommends for adoption and reviews standards and issues guidance through a comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and considers public interest in support of Pakistan’s corporate governance and financial reporting framework.

11. ASB members exercise their judgment after research, due process, and careful deliberation.

12. The due process requirements are built on the following principles:

   i. **transparency** – the ASB conducts its standard adoption / setting process in a transparent manner;

   ii. **consultation** – the ASB considers the perspectives of those affected by the financial reporting standards and related material;

   iii. **accountability** – the ASB analyzes the potential effects of its proposals on the relevant stakeholders and explains the rationale for why it made the decisions in recommending adoption, developing or changing a standard; and

   iv. **clear timely communication** - Each stage of due process of adoption of IFRS or setting of local standards shall be communicated to stakeholders clearly and in timely manner.

**Transparency**

13. The ASB publicizes its contact information and encourages stakeholders to communicate with it at every stage of the standard- adoption / setting process. The ASB maintains a communications plan for outreach to the public and carries out specific activities in accordance with that plan to achieve transparency of its standard- adoption/ setting activities.

14. To promote the transparency of the ASB’s activities various materials are posted for the information of stakeholders at [www.icap.org.pk](http://www.icap.org.pk). These materials may include:

   a) information about the ASB and its due process;

   b) project pages, which inform stakeholders of the status of projects and plans for future activities;

   c) decision summaries for meetings of the ASB;

   d) discussion papers and exposure drafts published by the IASB, IPSASB and ASB for public comment;

   e) background information and basis for conclusions documents for completed projects (if required); and

   f) information updates on the topical issues.
15. The accounting standards recommended for adoption / set by the ASB are notified by the Securities Exchange Commission of Pakistan (SECP) and are usually published by ICAP. The IPSAS recommended for the adoption are notified by the Auditor General of Pakistan.

**Consultation**

16. The ASB operates on the principle that wide consultation with interested and affected parties enhances the quality of financial reporting standards, and also ensures effective implementation of the standards. ASB can carry out consultation through various means, including, consulting with its project Working Groups that it may establish, regulators and organizations representing financial statement preparers, auditors, users and academics. Other methods of consultation include issuing documents for stakeholders’ comments, including discussion papers and exposure drafts, roundtables and fieldwork.

**Fieldwork**

17. The Directorate Technical Services may sometimes use fieldwork to gain a better understanding of how a proposal is likely to affect those who use and apply financial reporting standards.

18. Fieldwork can be undertaken in different ways, including:

   - interviews with individual preparers, auditors, regulators or investors who are likely to be affected by the proposals;
   - consultative round tables of key stakeholders; and
   - surveys.

**Clear timely communication**

19. ASB endeavors at all times to keep the stakeholders informed of important developments about the ASB’s operations and activities.
V. How the ASB operates

A. The Chairman

20. The Chairman is appointed for a period of four years. The Chairman may serve two consecutive terms for an aggregate of eight years.

21. The primary duties and authorities of the ASB Chairman are to:

   i. Prepare short and long-range project plans of the ASB, including the agenda of specific projects and their priorities, for submission to the members of the ASB for approval.

   ii. The Chairman shall prepare and submit, within three months, ASB’s annual report to the ICAP Council giving details of the work carried out during the year (July - June) including the standards adoption status and the existing gaps.

   iii. Establish ASB advisory group and project working groups pursuant to procedures described in Section IV (C & D) of this Handbook.

   iv. Establish operating procedures for the ASB and its advisory and working groups to implement and direct their broad operating processes.

22. The Chairman works in cooperation with other members of the ASB in fulfilling ASB’s functions. The Chairman may delegate or assign particular functions, duties or projects to other members of the ASB, the technical services staff, advisory group, project working groups, or such others as the ASB Chairperson may deem appropriate.

B. Technical Staff

23. The ASB is supported by the DTS staff possessing knowledge and experience of financial accounting and reporting, finance, business, accounting education, and research. The DTS staff under ASB guidance is given training to possess updated knowledge of financial accounting and reporting.

C. Advisory Group

24. Advisory Group plays an important role in the process of providing implementation guidance and interpretation of financial reporting standards and other accounting matters. Advisory Group is a support tool for the effective and efficient functioning of the ASB.

25. The Advisory Group’s role is to support DTS staff in the development of papers/responses on the technical accounting matters, by providing insightful perspectives.

26. The ASB Chairman establishes the Advisory Group after consultation with the ASB members. The Advisory Group is to comprise of 6 to 8 members. The members are to be drawn from diversified backgrounds, and evaluated on the merits of their professional
competence and ability to serve in an effective manner. The members are to serve for a period of 2 years and can be reappointed.

D. Project Working Groups

27. The ASB shall establish project working groups to provide it with advice and recommendations as required. The composition of a project working group would reflect the purpose for which the group is being formed, bearing in mind the need to ensure that it draws on a diverse and broad membership.

28. Each project working group should have terms of reference, setting out the objectives of the group, the expectations that the ASB has of the members and the responsibilities of the ASB to that group. The ASB may have more than one working group on a project, for example, to provide advice on a particular aspect of a proposed standard or post-implementation review.

29. The DTS staff shall provide working group members with updates on the progress of the project. Further, DTS is to provide the ASB with the update on the working group’s project.
VI. ASB Meetings

30. The ASB’s discussions of potential projects, technical issues and decisions take place during its meetings.

31. The ASB meets at least four times per year. Additional meetings may be convened at the Chair’s request.

32. The quorum of ASB will be at least six members including the Chairman.

33. ASB meeting cannot be attended by proxy by any of its member.

34. The ASB by mutual consensus may invite non-members to attend and participate in its meetings. Individuals or organizations with interests or expertise in a particular project may be invited to provide background briefings to the ASB and to respond to questions.

35. Before each ASB meeting, the DTS staff prepares agenda and working papers for review and approval by ASB Chairman. Agenda is normally distributed to the ASB members at least seven days before the ASB meeting at which they are scheduled for discussion to allow members sufficient time to consider and assess the information and recommendations.

36. During its meetings, the ASB also discusses comments and suggestions arising from information gathered by the DTS staff, and from consultations with the ASB’s advisory group and working groups and with other interested parties through roundtable meetings and comment letters.

37. The DTS staff summarizes ASB’s decisions related to public interest, and a decision summary approved by the chairman is published at www.icap.org.pk. The ASB project pages are also updated to reflect the ASB’s decisions.

38. Minutes of the meeting are prepared by the ASB Secretary, and circulated to ASB members within seven days of the meeting.

Approving a document

39. Before initiating any project, the ASB Chairman consults the ASB members during a meeting to gauge the level of support. If there is sufficient support, the ASB instructs the DTS staff to prepare a draft document (discussion paper, exposure draft, standard, guide or any other material).

40. For each project, the DTS staff maintains a summary of due process steps required, including how these steps have been complied with and the reasons for any non-compliance. This due process summary is made available to the ASB members. In voting to approve a document for issuance, the ASB members are required to state whether or not they are satisfied that due process has been appropriately followed.

41. The voting requirements for approving the ASB’s documents are as set out in below section.
In voting to approve a document, the ASB members are required to vote according to their own beliefs rather than the views of their firm or organization. All votes taken in an ASB meeting are documented in the minutes of that meeting. The minutes are approved at a subsequent meeting and constitute proper evidence of the ASB’s decision.

**Voting on Standards and Guides**

42. All the ASB members are required to vote for approval to develop and/or issue an accounting standard, recommend the accounting standard, issue an accounting technical release and Guide. The affirmative vote of at least eleven members either in person or through email communication is required for approval for the aforementioned documents.

43. Whereas, for decision on matters in the ordinary course such as issue an exposure draft, response to a query and format of financial statements, issuance of disclosure checklist a vote of majority members present would be required.

**Dissenting view**

44. An ASB member who proposes to dissent from the publication of exposure draft, recommendation to adopt a standard, issuance of the final standard, guidance, financial statement format or response to a query make his/her intentions known during the ASB meeting. Dissenting opinions are expressed by the ASB member concerned during the meeting. These views are documented in the minutes of the meeting.

**Wording of dissents**

45. Dissenting members should work with the DTS staff to formulate the wording of any dissent. Dissenting opinions should clearly explain the basis for the dissent and include an outline of an alternative approach to that proposed in the ED or required by the Standard or the response to query or any other document voted by the ASB.
VII. Publication

46. The DTS staff in consultation with Chairman decides the communication material to accompany the release of an ASB approved guide, recommendation to adopt a standard, amendment to a standard.

47. Depending on the nature of the new requirements, the DTS staff may also develop, and make freely available, presentations and other communications materials.

Post-publication procedures and maintenance

48. After the issuance or adoption of a standard, issuance of a guide or other accounting material having wider application and relevance, the DTS consults with the ASB’s Advisory group and other interested parties (determined in consultation with the Chairman) to evaluate whether unexpected issues have arisen from the implementation of the above referred items and the potential effect of its provisions. If necessary, the ASB may consider amending the standard, guide or other accounting material, to clarify or otherwise address issues that have arisen.

49. From time to time, there may be a need for an editorial correction such as a correction to a cross-reference or a numerical example. Such corrections do not alter the technical meaning of the text. They are made without exposure with the approval of the Director DTS. ASB members are informed of any such change and may request that it be discussed at an ASB meeting prior to the change being made to the Guide.
VIII. Post-Implementation Review

50. A Post-Implementation Review (PIR) is an opportunity to assess the effect of a new standard or major amendment on financial statement users, preparers and auditors. The review considers whether the standard has achieved the intended objectives and the issues that were important or contentious during the development of the standard, as well as issues that have come to the attention of the ASB after the standard was published / notified. The DTS staff also consults the wider financial reporting community to help the ASB identify areas in which possible unexpected implementation problems were encountered.

51. The ASB generally conducts a PIR of each new standard. A PIR normally begins after the new requirements have been applied for two years. However, on the basis of its initial assessment, the ASB may decide not to conduct a PIR or that it would be premature to undertake a review at that time.

52. In addition to PIRs that respond to a new standard the ASB may decide to conduct a PIR in response to changes in the financial reporting environment and regulatory requirements, or in response to concerns about the quality of a standard that have been expressed by the ASB’s advisory group, Council or stakeholders.

53. The ASB normally allows a minimum of 60 days for comment on a post-implementation Request for Information.

54. The ASB considers the comments that it has received from the Request for Information along with the evidence and information that it has obtained from any additional analysis. When the ASB has completed its deliberations, it presents its findings at the ASB meeting. The ASB may consider making minor amendments to the standard or preparing an agenda proposal for a broader revision of the standard. There is no presumption that a PIR will lead to any changes to a standard. The ASB may also continue informal consultations throughout the implementation of the standard or the amendment to the standard.
IX. Consultancy

Due Process

55. Due process steps that the ASB must follow before it can recommend adoption of a standard or proposed guideline are:

a) debating any proposals in one or more meetings;
b) exposing for public comment a draft of any proposed new standard, or proposed amendment to a standard or proposed guideline;
c) including in each exposure draft of an ASB developed proposal an explanation of the reasons for the proposals and their expected effects (IASB exposure drafts already include these items);
d) considering in a timely manner comment letters and other input received on the proposals;
e) considering whether exposure draft of an ASB developed standard/guide should be exposed again.
f) publishing a background information and basis for conclusions document for ASB developed final standards;

56. ASB provides a minimum comment period for ASB developed standards i.e. IFAS/local developed standards and Guide, as follows:

i. new or amended IFAS - 60 days;
ii. new other local standard - 45 days;
iii. new Guide - 45 days;
iv. re-exposure of the standard - 30 days after consideration of comments received on an exposure draft;
v. PIR - 60 days.

57. Although the ASB is required to adhere to due process and to inform of its actions, a failure to do so does not render a standard invalid. If the ASB becomes aware, after approving a standard or guide, that it has not adhered to due process as described in this Due Process Handbook, it will consider whether any action is necessary. The ASB would consider the significance and nature of the aspect of due process not adhered to in determining if any action is necessary and what that action might be.
Participating in the IASB / IPSASB due Process

Due process documents

58. The IASB uses a variety of tools to consult with its stakeholders, including formal documents that either invite comments from stakeholders or inform stakeholders about the results of its public consultation:

- Request for information (RFI)—which assists in gathering factual evidence about financial transactions and existing accounting practice;
- Request for views (RFV)—which assists in gathering opinions about planned Board activities, either generally or in relation to a specific project;
- Discussion Paper (DP) or Research Paper (RP)—which assist in gathering information and opinions to provide evidence about whether a financial reporting problem exists and, if so, whether potential solutions can be identified and developed into more specific solutions;
- Exposure Draft (ED) and Draft IFRIC Interpretation—which contain specific proposals for new or amended IFRS requirements or interpretation of existing requirements. They assist in gathering information and opinions to help IASB refine the proposals to improve the quality of any new or amended IFRS requirements to be issued;
- New IFRS Standard, IFRS Amendment or IFRIC Interpretation—which contain new or amended IFRS requirements; and
- Feedback Statement (FS)—which summarises the findings of a project or broader consultation, such as a PIR or Agenda Consultation.

The IASB typically allows at least 120 days for comments on proposals and at least one year between the issue and mandatory implementation of new IFRS requirements.

59. The ASB generally responds to all published IASB / IPSASB invitations to comment on its agenda-setting process and on IASB / IPSASB discussion papers, exposure drafts and similar documents in individual standard-setting projects, as well as to requests for information for post-implementation reviews. However, some IASB / IPSAB invitations to comment may relate to topics that have little if any relevance to Pakistan stakeholders. In such cases, the ASB may decide not to respond to the invitation to comment.

60. In forming its views, the ASB seeks input from its advisory group, as appropriate, and from stakeholders. The ASB may hold roundtables, depending on the significance and nature of the proposals or other request.

61. In adopting IFRSs as accounting framework, the ASB believes that it is generally in the Pakistan public interest to adopt those standards. While the IASB’s due process provides assurance that a new or amended standard is suitable for adoption, the ASB may take the additional steps of identifying whether the standard is suitable for application in Pakistan.
Exposure Draft Consultation Process

1. Review of ED by DTS
2. ED issued for members comments
3. Consultation sessions / Roundtables with key stakeholders (if required)
4. Collation and analysis of members comments by DTS
5. Consideration of comments by Advisory Group & ASB
6. Issuance of approved comments to IASB / IPSASB
Due process for Adoption of IFRS

1. Review of IFRS by DTS
2. DTS Preparation of Implementation plan for review of ASB
3. ASB forms a Working Group
4. Working Group reviews the IFRS & implementation plan
5. Working Group gives recommendation to ASB
6. ASB reviews the Working Group recommendation & Final IFRS
7. ASB recommends the Final IFRS to ICAP Council
8. Consideration of IFRS by ICAP Council
9. Council recommends IFRS for adoption & notification by SECP
Due process for development of IFAS / Local Standard

The ASB develops Islamic Financial Accounting Standards (IFAS) and local standards complying with the following due process:

1. Identification of relevant subject by ASB
2. Formation of Working Group by ASB for development of the Exposure Draft (ED)
3. Review of ED by ASB
4. ED issued for members comments
5. Coalition and analysis of members comments by DTS
6. Presentation of DTS analysis to the WG
7. Preparation of revised ED by WG
8. Presentation of revised ED to ASB
9. Consideration of revised ED by ASB for issuance of the Final Standard
10. Submission of IFAS / Local Standard to Council for approval
11. IFAS / Local Standard approved by Council sent to SECP for notification
Due process for development of Guideline / Formats

1. Identification of emerging issues by DTS for ASB’s consideration
2. ASB’s approval of the project
3. Development of a draft Guideline / Format by DTS
4. Review of draft Guideline / Format by Advisory / Working Group
5. Refinement of draft Guideline / Format by DTS
6. Consideration of the draft Guideline / Format by ASB
7. Draft Guideline / Format issued for members comments
8. Analysis of comments by DTS and development of revised draft Guideline / Format
9. Consideration of revised draft Guideline / Format by Working Group
10. Consideration of revised draft Guideline / Format by ASB
11. Submission of final Guideline / Format to Council for approval
12. Guideline / Format approved by Council for issuance