



EFRAG 2015 Proactive Agenda Consultation

ICAEW welcomes the opportunity to comment on the *2015 Proactive Agenda Consultation* published by EFRAG in October 2015, a copy of which is available from this [link](#).

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MAJOR POINTS

Setting the strategy

1. EFRAG has a valuable role to play in the global debate about international financial reporting standards. We therefore welcome the consultation on its proactive work agenda, which provides an opportunity to both reflect on the work carried out to date, noting the successes and areas for improvement, and to consider EFRAG's future plans.
2. In general we support the individual projects outlined in the draft work plan. However, we believe it would be beneficial for EFRAG to take this opportunity to consider the strategic objectives for its future activities. Establishing a clear strategy will, in our view, enable EFRAG to select and prioritise its projects more effectively, assess the most useful form of output, and consider the most appropriate allocation of its resources. In particular, it might be useful for EFRAG to clarify whether it is *primarily* seeking to contribute to and influence the debate on current IASB projects or aiming just as much to gather and share evidence on topics of current concern to constituents, whether or not they are under active consideration by the IASB.

RESPONSES TO SPECIFIC QUESTIONS

Question 1:

What is your opinion on the effectiveness of the proactive work EFRAG is undertaking?

3. We support the work carried out by EFRAG. This plays an increasingly important role in the global debate on international financial reporting. However, without a clear understanding of what EFRAG is seeking to achieve over the short, medium and long-term, it is rather difficult to assess properly the likely effectiveness of its work plan. Therefore, as noted above, we believe it is important for EFRAG to take this opportunity to consider, and then communicate, its overall strategic aims.

Question 2:

What type of EFRAG projects and output have been more useful:

- (a) Discussion Papers
- (b) Short Discussion Series Papers
- (c) Bulletins?

4. In our view, there is no one format that is more useful than the others. Although, to be most effective, we believe it is important for EFRAG to carefully consider what it is seeking to achieve from an individual project before selecting the format. For example, when contributing to an on-going IASB project, we find it more helpful for the detailed discussion to be reserved to consultations issued by the IASB. That is not to say that EFRAG does not have an important role to play in the discussions. However, in our view it may be more effective for EFRAG to provide clear, concise papers that outline key issues for constituents to consider. Indeed, in some cases, outlining the key issues may, by itself, sufficiently contribute to the debate without the need to solicit constituent views.

Question 3:

Do you support the current mix of output? Please mention an EFRAG paper that you consider in particular useful. And also one that you consider was not so useful. Please indicate your reasoning.

5. We broadly support the current mix of output. As noted in response to question 2, we believe it is helpful to have a range of outputs to enable EFRAG to select the type of document most appropriate for an individual project.
6. One project we found particularly interesting was the Pro-active Accounting Activities in Europe (PAAinE) discussion paper *The Financial Reporting of Pensions*. In our view this was a

timely and comprehensive analysis of the principles of accounting for pensions which helpfully contributed to the debate in this area.

7. Generally speaking, we find it more useful (and effective) when individual projects are closely linked to forthcoming IASB projects or to the existing IASB research agenda. This helps focus both the discussion outlined in EFRAG papers and respondents' comments. When approached in this way, EFRAG's work can helpfully set out the various alternative views as input to the IASB.
8. However, it is also important for EFRAG to first consider the demand for each individual project – including from users of financial statements. Otherwise, there is a real risk that EFRAG will spend time and resources on projects that ultimately do not offer meaningful or practical solutions to current problems. For example, although we were generally supportive of the EFRAG paper *Accounting for Business Combinations under Common Control*, we did not believe that user needs had been taken into consideration enough or that the evidence presented was sufficiently well developed. As a result, we were not convinced that that the discussion paper ultimately offered a workable solution.

Question 4:

How do you make the decision to comment or not to comment on an EFRAG proactive project?

9. In general we try to comment on all EFRAG consultations, although timing is often a key factor. For example, when an EFRAG paper is issued very close to or overlapping with the corresponding IASB consultation, we may choose instead to focus our limited resources on the latter. On the other hand, it is also important that papers intended to contribute to or influence an on-going IASB project are produced within an appropriate timeframe in order to be most useful. Therefore, depending on what EFRAG is seeking to achieve from an individual project, a balance must be struck between issuing a paper that is timely and the need to take into consideration the corresponding milestones and deadlines set by the IASB.
10. In reaching a decision, we may also consider the format of the paper. As discussed above, when seeking to contribute to an on-going IASB debate, our preference is for clear concise papers that outline the key issues.

Question 5:

How do you see the possible coordination of proactive work between EFRAG and the IASB? Do you think it is important that EFRAG remains an independent contributor?

11. We believe that, resources permitting, there is scope for EFRAG to both coordinate with IASB and to act as an independent contributor. For example, independent work would allow EFRAG to explore aspects of a specific project that IASB may be less inclined to investigate. In this case, EFRAG could play a vital role, provided that there was sufficient evidence to suggest that user and/or preparer needs were not likely to be addressed in the near future by the IASB.
12. EFRAG has noted that direct involvement with the IASB may limit the possibility for it to make European views known, and for specificities to emerge. This may be less of an issue when independent work is performed. However, we note that for any such work ultimately to influence the IASB, it must have resonance globally, be open and objective, and be of high quality.
13. Final decision-making must remain with the IASB, but that does not mean that the EFRAG is unable to influence the IASB's thinking with a well-planned and well-executed project, including laying out the views it has heard from European constituents. We do not believe that producing proactive material, which is high quality and which lays out objectively the key issues around any particular subject, is incompatible with taking soundings and channelling views on what

European constituents might wish to see as an outcome, as long as EFRAG clearly distinguishes those two activities.

14. Furthermore, we do not believe that EFRAG's involvement in the development of research necessarily conflicts with its role in advising the European Commission. EFRAG would after all be involved at an early stage of the project and we would expect any later IASB decisions to be discussed and clearly explained. EFRAG would then be able to consider the rationale for these decisions when drawing up its advice to the EC.

Question 6:

Do you agree that these projects are relevant for Europe and should be undertaken? How would you see their priority?

Transactions with government:

15. We are not convinced that transactions with governments are so disparate and therefore question the relevance of this project to Europe. For this reason we would rank this project as a low priority.

Impact of remeasurement of liabilities

16. We agree that there is some confusion in this area but note that the IFRS Interpretations Committee is to an extent already considering this issue under the project *IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IFRIC 12 Service Concession Arrangements: Variable payments for the separate acquisition of PPE and intangible assets*. It may therefore be more useful for EFRAG to input directly into the IFRIC process rather than carry out a separate project.
17. If there is evidence to suggest that an interpretations advice would not sufficiently resolve the underlying issues, we accept that there may be value in EFRAG carrying out some independent research in order to contribute to the debate.

Impairment model for equity investments

18. We agree with the IASB that this is complex matter. However, we do not support recycling of profits or losses in this instance and therefore do not believe that EFRAG should devote significant time or resource to this project. The whole issue of recycling needs to be tackled more generically in a project on reporting gains and losses and the structure of the income statement(s).

Additional work on the Conceptual Framework

19. It is difficult to comment on this project as the proposed work plan provides limited detail on what it would entail. We do however think it unlikely that the IASB will re-open the revised Framework in the near future on any major basis, other than perhaps to reflect the outcome of a new standard or project as already flagged, and therefore question the need for continued research in this area.

Question 7 & 8:

In the table in the Appendix to this consultation, the proactive work that EFRAG has carried out or is carrying out at present is listed. There are also topics on which EFRAG has not carried out work. Do you think that EFRAG should undertake work on any of these projects?

Do you see other projects than those listed in the IASB Agenda Consultation or above that EFRAG should undertake?

- 20.** We have not identified any particular project that we believe should be added to the EFRAG work plan. However, as noted, we believe it is important for EFRAG to articulate more clearly its strategic vision, and then select and prioritise its projects accordingly.