



15 March 2012

Our ref: ICAEW Rep 40/12

Mme Françoise Flores
Chair
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels

By email: commentletter@efrag.org

Dear Mme Flores

EFRAG's draft endorsement advice on IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and related standards

ICAEW welcomes the opportunity to comment on EFRAG's draft endorsement advice on IFRS 10 *Consolidated financial statements*, IFRS 11 *Joint Arrangements*, and the package of related standards, published by EFRAG in February 2012.

ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 138,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

We are strong supporters of the work of the EFRAG and believe that the Group plays a valuable role, as a key constituent of the IASB, in ensuring thorough due process is followed in the development of financial reporting standards. Through this work the quality of international financial reporting has undoubtedly been improved. However, our longstanding view is that every effort should be taken to avoid differences between IFRS as endorsed by the EU and IASB as issued by the IASB, and it is in this context that we have evaluated EFRAG's proposals.

We acknowledge that EFRAG has lent its support to the package of standards dealing with consolidation, joint arrangement and related matters. We agree that this is appropriate. However, the proposed delay in the adoption of these standards in Europe sets a dangerous example. Our strong preference is that standards released by the IASB are adopted for use in the EU on a timely basis and without modification.

In our response to EFRAG on the IASB's effective date consultation (ICAEW REP 13/11), we were supportive of a 'big bang' adoption date for the IASB's complete package of new standards. We commented then that concentrating change at a particular point in time eased transition for preparers and users alike. In that response we suggested that the 'big bang' date should take place in 2015. The IASB subsequently decided to release the consolidation package of standards with an effective date of 1 January 2013 and these will therefore be introduced in advance of new standards on leasing, revenue recognition and financial instruments.

On reflection we are satisfied with this outcome. Although operationally a single implementation date may have been preferable, we appreciate that the salient factor behind the publication of the consolidation package of standards is that they are an important response to the financial crisis. They result in improved financial reporting and consequently have been welcomed by market participants. We believe that the benefits from these improvements should not be deferred and therefore we are opposed to EFRAG's proposed amendment.

Not only is the amendment itself undesirable, but in principle it represents an unwelcome move toward inappropriate European intervention in the IASB's due process. Amendment of standards by EFRAG should be highly exceptional. We do not believe that the current circumstances justify such an exceptional decision; indeed we feel that EFRAG's reasons for deferral, as set out in the draft letter to the EC, fall well short of a compelling case. In our opinion there is sufficient time to allow appropriate assessment of accounting treatments under these new standards. There may well be instances where companies may wish to take action to change arrangements, perhaps for example to avoid consolidation under the new requirements. While in these circumstances preparers may desire a longer lead-time, that is not an appropriate reason to delay implementation. EFRAG has also identified investment companies as a category of entity that may have difficulties in making the transition in time. Again, while we understand the concerns, we do not accept that this as adequate justification for delaying the introduction of these standards. This issue affects only a relatively small sub-set of companies and should not impede timely implementation for the vast majority who do not fall into this category.

IFRS has been developed with the intention of providing a consistent global framework. For companies operating on an international basis this is important, and such considerations militate against the emergence of a differential European regime, even a temporary one. In this case the difference in effective dates could be problematic; companies with a dual listing in Europe and the US will need to apply both 'full IFRS' and the EU-adopted version at substantial cost and causing confusion for users of accounts. Consequently we strongly favour retention of the original 2013 effective date.

In summary: we support endorsement, but for the reasons set out above are strongly opposed to EFRAG's proposed change to the effective date.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely



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