

European Financial Reporting Advisory Group
35 Square de Meeûs
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Submitted by email to commentletters@efrag.org

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Consultation on Proactive Work

Grant Thornton International Ltd welcomes the opportunity to comment on the European Financial Reporting Advisory Group's (EFRAG) *Consultation on Proactive Work*. We have considered the consultation document and the questions within it. We set out our comments below using headings to group them.

General comments on proactive work

Grant Thornton International Ltd supports the goal of high quality, global financial reporting standards. All our comments are made in the context of this overall objective. We also believe that IFRS and the International Accounting Standards Board (IASB), while facing some challenges, are the only credible and current means by which this goal can be achieved.

While considerable progress has been made, there is of course much more to do to achieve global standards. We believe the IASB has perhaps under-estimated the various challenges of setting standards for use in over a hundred countries and that it is increasingly evident that assistance from other organisations is needed.

In this context we support proactive work by EFRAG, as well as by national standard-setters and other regional organisations. We believe such work can make an important contribution to the overall goal of high quality, global financial reporting standards.

As a small aside, we suggest that care is needed in presenting the conclusions of EFRAG's work. We note that the consultation document uses phrases such as "articulating the European view" and "the European experience". Our observation is that views among European constituents on financial reporting matters are (almost invariably) rather diverse. We understand that EFRAG does of course follow its due process and consults widely with EU constituents in forming a view. However, we suggest what emerges from such a process are EFRAG's organisational views and should be presented as such.

Possible proactive projects

We believe that all of the projects listed in Table 2 of the consultation document have the potential to make a valuable contribution. Naturally, we have some preferences among those projects based on our own views on problem areas. In particular we believe the proposed project on *Understanding the Decision Environments of Users of the financial report* merits more research given that the IASB's *Framework for the Preparation and Presentation of Financial Statements* emphasises user decision-usefulness.

Notwithstanding our preferences, however, we suggest that the critical issue is for EFRAG to develop robust criteria for the selection of pro-active projects. Consistent with our overall goal, we think the driving theme must be to select areas with potential to contribute to high quality, global standards. We strongly believe that this will be achieved only if EFRAG's proactive work is carefully co-ordinated with the work of the IASB.

In slightly more detail, we suggest the following overall themes:

- **Co-ordination with the IASB:** In order to maximise EFRAG's contribution to the standard setting process, it is important to co-ordinate EFRAG's proactive work with the IASB. It should not duplicate the IASB's own research and should not target projects where the direction of the IASB's work has already been decided.
- **Early stage focus:** We believe that EFRAG will be most effective in influencing outcomes by focussing on projects which are in their infancy. By targeting accounting issues at the research stage, EFRAG will be in a much stronger position in terms of shaping the future direction of the IASB's work.
- **Areas with significant European interest, but low current priority for IASB:** We believe that some issues are clearly of widespread interest among EU constituents but (for various reasons) may not be current priorities for the IASB. We believe that EFRAG could usefully perform proactive work in such areas. In this context we believe that individual financial statements and common control transactions may be areas of difficulty that the IASB is unlikely to prioritise in the near future and which could therefore be usefully addressed by EFRAG.

We also comment specifically on post-implementation review work below.

Post-implementation reviews

Extensive changes to the IASB's current Standards are of course inevitable as the IASB completes its current convergence plan in 2011 (as targeted). Convergence between IFRS and US GAAP will bring many benefits. Convergence is critical to the outcome of the US decision on whether to incorporate IFRS into its financial reporting system. Even without US adoption, the very process of convergence will take us closer to a single, global financial reporting language.

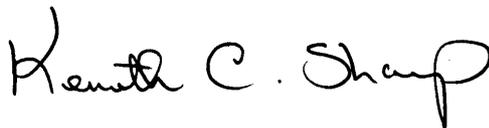
Beyond 2011 we believe the IASB's work should place greater emphasis on assessing the effectiveness of the major recent changes already made. We consider that post-implementation reviews of significant pronouncements are essential to the achievement of high quality, global standards and therefore welcome the current indications that these will be a substantial part of the IASB's post-2011 work plan. We think these reviews should consider more routine matters such as internal consistency and clarity, but also address broader matters such as complexity, costs and benefits, the relevance of the information in practice and an appropriate level of consistent application (subject to the normal constraints on that outcome).

Naturally we agree with EFRAG that post-implementation reviews must draw significantly on the experiences of European constituents. We also agree that EFRAG is in a strong position to gather the appropriate information to assess those experiences. However, we also believe it is essential that the IASB co-ordinates and takes ownership of the post-implementation review process. We see no benefit in the IASB and EFRAG undertaking "competing" reviews, possibly with different objectives, focus and terms of reference. We therefore recommend that EFRAG's work in this area should be designed and executed as a contribution to the IASB's own process.

We emphasise that we are not suggesting that EFRAG should operate under the IASB's "control" in some way - simply that both organisations should strive for effective collaboration.

If you have any questions on our response, or wish us to amplify our comments, please contact our Executive Director of International Financial Reporting, Andrew Watchman (andrew.watchman@gtuk.com or telephone + 44 207 391 9510).

Yours sincerely,

A handwritten signature in black ink that reads "Kenneth C. Sharp". The signature is written in a cursive style with a large initial 'K' and a long, sweeping underline.

Kenneth C Sharp
Global Leader - Assurance Services
Grant Thornton International Ltd