



International Accounting Standards Board
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IASB Agenda Consultation 2015

Representing preparers' point of view, the Swedish Enterprise Accounting Group (SEAG) welcomes the opportunity to comment on IASB's agenda consultation.

SEAG's main comments are as follows:

- The completion of the major projects Leasing, Insurance and the Conceptual Framework should be prioritized during the coming period.
- We question the need for increased resources for the projects on the research agenda. We believe that the IASB should limit the research programme to a few major projects that are relevant to a wide group of stakeholders and are likely to succeed.
- The project on goodwill and impairment should be IASB's top priority among the research projects. Other projects of high significance to us are Post-employment Benefits and the Disclosure Initiative.
- As IFRS 5 has not worked well in practice, we think that a project on accounting for discontinued operations should be added to the research agenda.
- Appropriate field testing, quality control and effect analysis before the introduction of new and amended standards is the best way to achieve high quality standards. Narrow-scope amendments and interpretations to the new or recently implemented standards should be avoided as this is detrimental to the principle based approach.

Our comments on the specific questions regarding IASB's work plan 2016-2020 and the frequency of agenda consultations are provided in the Appendix below.

Yours sincerely,

CONFEDERATION OF SWEDISH ENTERPRISE



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The Swedish Enterprise Accounting Group (SEAG) represents more than 40 international industrial and commercial groups, most of them listed. The largest SEAG companies are active through sales or production in more than 100 countries.

Appendix

Comments on the IASB's work plan 2016-2020 and the frequency of agenda consultations

1 The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;
- (b) its Standards-level programme;
- (c) the Conceptual Framework;
- (d) the Disclosure Initiative; and
- (e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

We question the anticipated increase in resources allocated to the research programme. As explained further below, we believe that the IASB should limit the programme to a few major projects that are relevant to a wide group of stakeholders and that are likely to succeed.

Regarding the Standards-level projects, we agree with IASB's assessment that the need for resources is unlikely to change during the upcoming period. The previous agenda consultation, SEAG expressed the view that the top priority should be to finish the major projects. We note that IASB has only partly succeeded with this endeavor. While the new leases standard is expected to be published within a short period of time, the insurance standard is still far from being completed. In addition, the standard on financial instruments will not be completed in full until a feasible solution can be found to the dynamic risk management issue. We are still of the opinion that the major standard-level projects that the IASB has taken on should be finalized. Going forward, the IASB need to learn from the experience with these prolonged processes, especially when determining the scope of new projects.

Concerning the Conceptual Framework, we think that the recent exposure draft was a big step towards finalizing the project. After the termination of the new and more complete framework, we believe that the IASB should refrain from taking up other issues related to the Conceptual Framework. We agree with the view that there will be a decrease in the activity level and need for resources concerning this projects towards the end of the forthcoming period.

We believe that the aim of the Disclosure Initiative is praiseworthy. Guidance and principles for complying with the extensive disclosure requirements are awaited by many. However, we have previously questioned the piece-meal approach to disclosure issues. Currently, the initiative includes a number of projects more or less connected to the overall aim. As there will always be a number of disclosure-related topics on the agenda, the Disclosure Initiative may easily establish as a permanent way to sort out projects of a certain category. We believe the aim should be to finish the current projects and thereafter close the Disclosure Initiative.

During the forthcoming period, when the new standards IFRS 15, the new leasing standard and IFRS 9 will enter into force, preparers face substantial challenges. We anticipate that the implementation of these standards will give rise to a significant

amount of issues and that post-issuance support will claim a large part of IASB's resources. During recent years, we have seen a noteworthy amount of small amendments to recently published standards and we have no reason to believe that the forthcoming implementation processes will be less demanding. Still, according to the table on page 12 that summarises expected changes in resources during the upcoming period, the IASB anticipates no overall change to the resources allocated to maintenance and implementation projects. We fear that this assessment is too optimistic and that the need to allocate resources to implementation issues will increase during the period.

2 The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33. Should the IASB:

- (a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.
- (b) remove from its research programme the projects on foreign currency translation (see paragraphs 39–41) and high inflation (see paragraphs 42–43)? Why or why not?
- (c) remove any other projects from its research programme?

We believe that accounting for discontinued operations should be added to the research agenda. In our experience, the definitions of IFRS 5 has not worked well in practice and it is difficult to assess which transactions that should accounted for under the standard. The one-year rule is also problematic. We predict that the forthcoming post-implementation review of IFRS 5 will show that the standard needs to be revised.

SEAG believes that the project on foreign currency translation should be removed from the agenda as we believe that the current principles are satisfactory. We also agree with the removal of the project high inflation as this is a negligible issue in most parts of the world.

In our opinion, the current research agenda could be narrowed down to a few essential projects. Besides the projects on foreign currency and high inflation, we think that the projects on Extractive Activities etc., the Equity Method, Pollutant Pricing Mechanisms, Primary Financial Statements and Share-based Payments should be removed from the agenda.

3 For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/ medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

Projects ranked high on importance and urgency

Goodwill and Impairment

Post-employment Benefits

Disclosure Initiative – Principles of Disclosure

Projects ranked medium on importance and urgency*Discount Rates**Income Taxes**Business Combinations under Common Control**Dynamic Risk Management**Definition of a Business**Discontinued Operations***Projects ranked low on importance and urgency***Provisions, Contingent Liabilities and Contingent Assets**Financial Instruments with Characteristics of Equity**Share-based Payments**Equity Method**Extractive Activities**Foreign Currency Translation**High Inflation**Primary Financial Statements*

We believe that the project on goodwill and impairment should be IASB's top priority among the research projects. The current principles for impairment measurement are based on too many assumptions and work poorly in practice as they open up for subjectivity. The measurement of goodwill upon recognition is also partly based on subjectivity, as the size of goodwill will depend on whether other immaterial assets are identified within the acquisition of the new business or not. Such immaterial assets of acquired businesses are difficult for users to comprehend and leads to comparability problems as companies apply the requirements differently. Further, while on the one hand costs for growing organically are recognised on an ongoing basis, the goodwill that on the other hand arises from acquisitions is not subject to depreciation. The application of the current standard thus deteriorates comparability between companies and businesses with different growth strategies.

Hybrid retirement plans are becoming increasingly common. As there are no principles for such plans in IAS 19, the standard needs to be updated on this issue. In addition, we believe that the principles for determining the discount rate for pension liabilities cause unjustified valuation differences between liabilities in countries that have a deep market for corporate bonds and liabilities in other countries. Overall, we think comparability should be enhanced between different types of pension liabilities and obligations of similar character.

As mentioned previously, we believe that the projects within the Disclosure initiative should be finalized.

We have ranked Provisions and Financial Instruments with Characteristics of Equity as of less importance, as we question that it will be possible to come to a feasible solution to the issues that these projects address. We prefer keeping the current accounting principles on these matters which we believe work sufficiently well. As mentioned above, we believe that the rest of the projects that we have ranked as of low importance should be removed from the research agenda, as they are of little or no relevance for the Swedish market.

4 Do you have any comments on the IASB's current work plan for major projects?

As we explained under question 1, we believe that IASB should prioritize finalizing the major projects Leasing, Insurance and the Conceptual Framework, whereas Rate-regulated Activities is not of high priority to us.

We also believe it's important to finish the projects within the Disclosure Initiative.

5 Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19–23 and 50–53)?

In our recently submitted comment letter regarding the Trustees' review of structure and effectiveness we expressed the view that the best way to achieve consistency in application is to develop clear, high quality standards. We underlined the importance of appropriate field testing, quality control and effect analysis before the introduction of new and amended standards. Nevertheless, small amendments closely to the publication of a new or amended standard has been increasingly common. We fear that this is a sign that the quality of new standards is deteriorating. We believe that the main efforts should be assigned to the period before a new or amended standard is launched.

We are concerned that the new major standards that will enter into force during the upcoming period will give rise to a large amount of questions and implementation issues. IASB will be asked to provide sufficient response to stakeholder needs. However, we believe that the IASB and the IFRS IC should await the post implementation reviews and refrain from making narrow-scope amendments and interpretations to the new standards, as this is detrimental to the principle based approach.

As we responded to the Trustees' review, we think that Post Implementation Reviews (PIRs) and the work of the Interpretation Committee should continue to be the key tools to deal with implementation issues. We don't support the establishment of Transition Resource Groups (TRGs).

6 Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

IASB's work plan for major projects has suffered from serious delays both during the previous period and before. IFRS is now accepted or mandatory in a large number of countries and we realise that the standard-setting process becomes increasingly complex as the number of stakeholders grow. However, the credibility of IFRS as a whole is dependent on IASB's ability to produce high quality standards in a timely manner. Therefore, the IASB should be more restrictive when taking on new projects. A critical evaluation of the possibility to reach a feasible solution should be made before a project reach standard-level status.

The principle-based approach to standard-setting should be maintained. As previously mentioned, we believe the best way to achieve this is to engage in thorough quality testing before the launch of a new standard. Small amendments caused by for example

Transition Research Groups as well as detailed interpretations after standards are launched discourages preparers from making principle based assessments and thus may undermine this approach to standard setting.

7 Do you have any other comments on the IASB's work plan?

We don't have any other views or comments.

8 Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not? If not, what interval do you suggest? Why?

We agree that the period between Agenda Consultations should be extended to five years. A five year period better reflects the required time for completing major projects on IASB's agenda and are thus more appropriate.

