

31<sup>st</sup> December 2015

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UK

Cc: EFRAG

Dear Sir/Madam

## 2015 Agenda Consultation

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) welcomes the opportunity to submit its views on the 2015 Agenda Consultation.

### Question 1 - The balance of IASB projects

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?

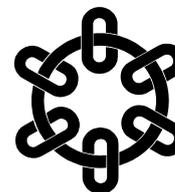
The NASB thinks there is a need for a thorough research phase, and believes that some of the challenges we have seen for instance in the leasing project and income tax project could have been avoided if more effort had been put into the early phases of the projects, now corresponding to the research phase. If challenges are identified during consultation, it can be appropriate to issue a new discussion paper, rather than issuing an exposure draft to a standard, which afterwards has to be rejected.

The research phase could involve both large and wide-ranging projects, and projects of more limited character. Research projects can favorably be carried out by staff in cooperation with national standard setters. Contrary to the standard development phase, the NASB do not see a disadvantage of having a wide range of projects in the research phase, and of having projects that take a long time to develop. In the standard development phase, a limited number of projects should take place, and the projects should be completed in a timely manner.

The NASB thinks the IASB at each project should publish the reasoning behind the decision to let a project enter the standard development phase.

Maintenance should only include maintenance – minor amendments to existing Standards (narrow-scope amendments and annual improvements). If there is a need to do something more, for example decisions on principles, it should be carried out through a research project, or at least a standards project.

In our view the division of the work program into sections has been helpful.



Pressure from external sources, who require a quick fix of issues they are concerned of, is a challenge for the IASB. Our experience is that to give in on such pressure seldom leads to a good result. The agenda consultation document notes that the Conceptual Framework project is expected to be completed in 2017. However, we believe much work still needs to be done on the Conceptual Framework. Please refer to our comment letter to the exposure draft on this project.

#### **Question 2 – Research projects**

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?

2a) The NASB welcomes the addition of a project on IFRS 5 to the IASB's research projects.

Furthermore, we think that the IASB should start a research project on IAS 41, evaluating the appropriateness of the main principles of the standard. There has been no post implementation review of the standard, and application of the standard has been subject to a lot of debate among producers and users.

We also think IAS 20 should be on the list of standards, which need to be looked at.

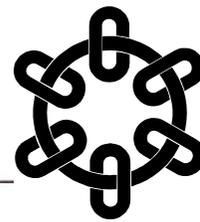
2b) We agree with the Board's decision to remove the two inactive projects foreign currency translation and high inflation from its research programme.

2c) The NASB thinks the Dynamic Risk Management project should be removed from the research programme. Even if there is a carve slightly overlapping this area in IFRS approved for use in Europe, this issue concerns a limited number of entities in a limited number of countries.

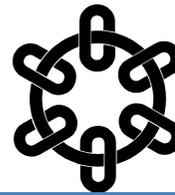
#### **Question 3 – Research projects**

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).

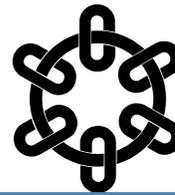
Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.



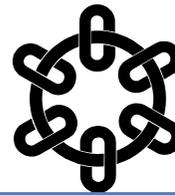
Research project	Relative importance (high/medium/low)	Urgency (high/medium/low).
<b>Assessment stage</b>		
<b>Definition of a Business</b>	Medium To ensure more a more consistent application in practice.	Medium
<b>Discount rates</b>	High We consider the need for consistent application of discount rates across IFRS to be of high importance.	High
<b>Goodwill and Impairment</b>	High We support that that the IASB look into both recognition and subsequent measurement. We note that based on the post implementation review, the IASB has already started looking at this topic, and we think this work should be continued.	High
<b>Income taxes</b>	High	Low The IASB needs to complete the revised Conceptual Framework first.
<b>Pollutant Pricing mechanism</b>	Medium This area represents a gap in the IFRS literature and therefore it results in differences in the application in practice. However, for Norwegian companies this is not an issue with significant impact on the numbers.	Low
<b>Post-employment benefits</b>	Medium The current IAS 19 needs to be updated to reflect the recent	Medium



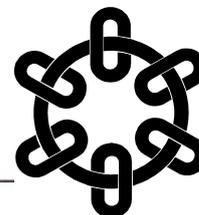
Research project	Relative importance (high/medium/low)	Urgency (high/medium/low).
	developments in the economics of such transactions.	
<b>Primary financial statements</b>	High  The IASB needs to carry out further work to address the areas of performance and OCI.	Medium
<b>Provisions, Contingent liabilities and contingent assets</b>	High  We observe some inconsistencies in the application of the guidance.	Medium
<b>Share-based payments</b>	Low	Low  However, we think there is a need on the short term to look at the scope of IFRS 2.
<b><i>Development stage</i></b>		
<b>Business Combinations under common control</b>	Low  We observe diversity in practice, but we consider the consequences of the diversity to be limited as long as the producers provide proper disclosures on these transactions and the chosen accounting policies.  We think it is very difficult to get to a common understanding on this issue. If carried out, the Board should widen the scope of the project to reorganisations.	Low
<b>Disclosure initiative</b>	High  Disclosure initiative is a project that has been on the spotlight for quite some time now and therefore we urge the Board to focus more resources on researching this project	High



Research project	Relative importance (high/medium/low)	Urgency (high/medium/low).
<b>Dynamic Risk Management</b>	Remove.  Even if there is a carve out on this area in IFRS approved for use in Europe, this issue concerns a limited number of entities in a limited number of countries.	Remove
<b>Equity Method</b>	Medium  We observe diversity in practice. The conceptual fundament for the equity method is unclear.	High
<b>Financial Instruments with Characteristic of equity</b>	High  The distinction between equity and liability can be important for banks.	Medium
<b><i>Inactive</i></b>		
<b>Extractive Activities/intangible assets/ Research and Development</b>	High  We think the IASB should move the project on extractive activities to active projects. Currently we have only a temporary standard in this area, IFRS 6. It is diversity in practice. The Norwegian Accounting Standards Board is willing to contribute resources to the project.	High
<b>Foreign Currency Translation</b>	Remove  We agree with the IASB to remove this project from its agenda.	Remove
<b>High Inflation</b>	Remove  We agree with the IASB to remove this project from its agenda.	Remove
<b><i>Additional suggestions</i></b>		
<b>IFRS 5</b>	Medium	High



Research project	Relative importance (high/medium/low)	Urgency (high/medium/low).
	We observe that the application of IFRS 5 generates many questions to IFRIC.	
<b>IAS 41 Fundamental review</b>	High	Medium
<b>IAS 20</b>	Medium	Medium



## Question 4 – Major projects

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

The NASB thinks it is important that the IASB focus on finalising the standard on insurance. The IASB's Conceptual Framework and Disclosure Initiative are also important to complete.

## Question 5 – Maintenance and implementation projects

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)?

The balance between giving principle based standards and giving guidance can be difficult. On one hand, it is useful with solutions to difficult questions, on the other hand it should not be a big book of rules. For instance, we think the level of guidance given in IFRS 15 could have been reduced.

The IASB should do a thorough review when issuing a standard to reduce the need of post-implementation maintenance. Focus on doing it right the first time can justify a higher threshold for making changes after implementation.

The NASB agrees to that the IASB engage in translation of IFRS, but think that the IFRS Taxonomy should be left to others.

We do not support the IASBs educational activities, because they are hard to separate from standard-setting and interpretation. We do favour educational activities on IFRS, but they should be carried out by a body separate from the IASB and the Foundation.

## Question 6 – Level of change

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?

The NASB thinks the pace of maintenance is appropriate as it is. We do not see any merits in an approach that accumulates necessary changes over an extended period. It is important to have a good process to aim at making it right the first time. Quality is more important than speed. As mentioned earlier, the IASB can allow more time in the research phase.

We think there the extent of guidance is somewhat too big.

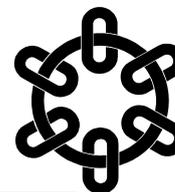
## Question 7 – Any other comments

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

The "fatal flaws reviews" is now a confidential process, where we understand that the drafts are sent to specific persons. The IASB should consider whether it is possible to make this process open to all, without reopening the debate on the decisions made.

## Question 8 – Frequency of Agenda Consultations

The IASB is required to carry out a public Agenda Consultation every three years. It usually takes longer than three years, however, to complete a major research project and then a subsequent major Standards-level project. Consequently, many of the major projects that form the basis of discussion for one Agenda Consultation will still be on the work plan



three years later. Thus, some feel that consulting on the IASB's agenda every three years is excessive. They suggest that five or even seven years would be a more realistic interval between Agenda Consultation cycles.

Others think that a three-year cycle is appropriate to provide the IASB with timely input on changes that might need to affect its agenda-setting strategies and priorities.

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 think the IASB should continue to have the three-year cycle, which in reality can be five years.

Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response.

Yours faithfully,

Erlend Kvaal  
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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