

EUROPEAN OUTREACH ON THE IASB'S AGENDA CONSULTATION 2011

SUMMARY OF THE FEEDBACK RECEIVED

DECEMBER 2011

EFRAG Outreach on the IASB's Agenda Consultation 2011 – Feedback report on meetings with European constituents

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Summary of feedback received

Scope and objective of the outreach

- 1 In July 2011 the IASB published a request for views on its Agenda Consultation 2011 (the 'Agenda Request'). In this Agenda Request, the IASB asks for constituents' views on the strategic balance and direction in setting its work plan and to which projects and areas of financial reporting the IASB should give priority and include on its agenda.
- 2 EFRAG and the National Standard Setters jointly organised meetings in eight European cities, the purpose of which was to assist EFRAG in gathering views of European constituents on EFRAG's preliminary main messages included in its draft comment letter to the IASB and on which projects would be of priority for European constituents. Locations included Frankfurt, Copenhagen, Oslo, Amsterdam, Stockholm, Warsaw, Madrid and Brussels. Meetings were held from October to November 2011. The European outreach event in Brussels was organised together with the European Commission. Overall, over 250 constituents participated in these meetings. In the majority of the outreach meetings, one IASB Board member participated (with different members participating in the various events); otherwise, an IASB Director participated.
- 3 The discussion at the meetings with constituents was in two parts. The first part focused on the main messages stated by EFRAG in its draft comment letter in response to the Agenda Request and on other concerns raised by European constituents:
 - (a) *IASB's broad strategic direction* – the distinction made in the Agenda Request between developing and maintaining standards is artificial since the various strategic areas are highly interrelated;
 - (b) *Request for a period of calm* – there is a the need for a stable platform of standards before further substantial projects are undertaken;
 - (c) *Evidenced based agenda setting process* – agenda decisions should be based on an assessment of the existing IFRS practice against the evolving needs for improved financial reporting;
 - (d) *The role of convergence* – agenda decisions can no longer be mainly justified by convergence as primary driver, the principal criterion should be improving the quality of financial reporting ;
 - (e) *Enhancement of the Conceptual Framework and its role* – 'high quality standards' should be based on a sound conceptual framework and standards in conflict with the Conceptual Framework should only be issued in exceptional cases;
 - (f) *Research* – the IASB should make proper user of research; and
 - (g) *Standard setting process* – the IASB would need to respond to urgent issues that may arise.
- 4 The second part of the meetings was focused on discussing which specific projects should be included in the IASB's future agenda. European constituents attending the meetings were invited to provide their feedback on the Agenda Request using questionnaires. Overall, 190 constituents completed the survey.

Summary of the feedback received

The aggregated results of the questionnaires were presented in each meeting and provided a basis for discussion.

- 5 This summary report summarises views of the European constituents on the issues outlined in paragraph 3 above and on the projects to be included (or excluded) in the IASB's future agenda. The next section outlines the overall feedback received from constituents in Europe and is based solely on that and *does not* include views expressed by EFRAG representatives or IASB members and staff. The feedback received from the European constituents on individual issues was generally consistent with EFRAG's preliminary main messages, which are included for reference in the same section. The detailed results of the survey are included in the Appendix.

Overall feedback received from constituents in Europe

IASB's broad strategic direction and balance of the agenda

- 6 Tentative views of EFRAG were the following:

- EFRAG does not agree with the idea of distinguishing between the different categories of strategic areas identified in the Request for the purpose of prioritising the work of the IASB. EFRAG thinks the distinction between developing and maintaining standards is an artificial construct that provides no helpful insights.
- The IASB should determine its resource allocation based on gaps in the set of IFRS or lack of quality in existing standards, for which there is evidence.

High interrelation between the five strategic areas

- 7 The IASB identifies in the Agenda Request five strategic areas that should drive its work and fall into main categories: the development of financial reporting (consisting of strengthening the consistency through the Conceptual Framework, investing in research, and developing new standards) and the maintenance of the existing IFRS (consisting of post-implementations reviews to understand operational issues and updating existing standards). Participants generally believed those five strategic areas are highly interrelated and did not fully agree with the idea of considering them as two separate categories as suggested in the Agenda Request.
- 8 The majority of participants highlighted that updating the existing standards and developing new standards may not make sense without the completion of the Conceptual Framework and may not be consistent with the request for a period of calm. In addition, they noted that post-implementation reviews are important; however, some believed that there could be tension between these reviews and updating existing standards, since until now it was felt that project proposals included in the IASB's work programme may not have reflected the reality of entities and users' needs and demands.
- 9 Some called for a two-phased approach in the agenda setting process. The first phase would be a conceptual approach involving a fundamental reflection on what has been achieved to date and what needs to be done going forward (including the boundaries of the IASB work; the finalisation of the Conceptual Framework; the need for industry-based standards; the accessibility of IFRS; and the completion of the current four main projects). The second phase – the

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identification of specific projects should only take place when the first phase has been completed.

- 10 Reference was also made to the boundaries of the IASB work. Some participants suggested that the IASB could explore other sectors such as reporting by not-for-profit entities, public sector accounting, integrated reporting and, management commentary, most of which are out of its scope at present. Others disagreed with any extension of the scope of the activities of the IASB. The Conceptual Framework, as currently drafted, defines the activities of the IASB and limits its responsibilities to general purpose statements.

Request for a period of calm

- 11 Tentative views of EFRAG were the following:

- A 'period of calm' and a stable platform are needed in order to ensure proper understanding by users and preparers of changes made to IFRS, consistent application of IFRS across jurisdictions and greater consistency in financial reporting over time.
- Respecting the need for a 'period of calm', the IASB should work on Conceptual Framework issues (including performance reporting); post implementation reviews and other research activities that help to prepare evidence-based project proposals; and those projects where an urgent need and/or a solution that is likely to improve financial reporting have been demonstrated, also taking into account recent changes in economic and business reality.

- 12 In general terms, participants believed that the IASB should ensure a period of calm once the four main projects currently included in the IASB's work plan would be finalised (i.e. Revenue Recognition, Leases, Insurance contracts and Financial instruments). Some participants went one step further including the finalisation of the Conceptual Framework inside this bucket.
- 13 Few participants did not think it is beneficial to have projects finalised in bundles followed by periods of calm. The IASB should ensure that another busy period would not follow the period of calm. In this sense, the IASB should try to plan for a more stable stream of output although this would likely require a longer planning horizon.

Stable platform of IFRS

- 14 Participants in the meetings pointed out various preconditions which they thought are necessary for achieving a stable platform of IFRS. It is worth noting that participants believed standards should be more principles-based since, in their views, regular changes to existing standard prove that standards are not sufficiently principles-based.
- 15 In several events, participants noted that in the last four years the level of the IASB's activity has increased with many exposure drafts and new proposals being issued during this period. Participants highlighted the following:
- (a) *IFRS are difficult to understand and hard to explain* - preparers and users need time to understand the standards, assess their implications and prepare for their implementation. Before undertaking new projects, participants believed that it is necessary to give at least some time to becoming familiar with the various standards in order to ensure the consistency and quality of their application; if not, the process will be

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unsustainable. In addition, sometimes it is hard to explain financial statements to investors and, even, to the companies' board of directors;

- (b) *IFRS are costly to apply* - small and middle size listed companies often need to rely on external audit firms to understand the standards. These companies cannot afford an internal department to monitor, examine and implement IFRS and are of the opinion that IFRS are costly to apply; and
- (c) *Impairment of comparability* - comparability will be impaired if standards are revisited and changed in a recurrent way.

- 16 In particular, it was indicated that changing IFRS continuously has critical and undesired consequences, including the increasing weakness of financial reporting internal control systems. There is the possibility that errors result implementation even though control procedures are applied due to misunderstandings, misjudgements, lack of personal attention and operational issues. However, the expected reliability of internal control systems may be more affected in a situation where continual changes made to IFRS. From an external perspective, the quality of the performance figures reported by companies risk to be impaired and an increase in uncertainty for investors when they assess such figures.
- 17 Some participants also welcomed a period of calm since certain local accounting regulations are based on IFRS which would mean that also for other companies fewer changes would be needed in the future.

Focus on the Conceptual Framework during the period of calm

- 18 During the period of calm, the majority of participants suggested the IASB should work on the Conceptual Framework and deal only with particularly urgent issues or minor necessary changes to current standards if needed. Some participants also suggested the IASB should perform more outreach activities in order to understand what its constituents thought about its standards and their implications.

Evidenced based agenda setting process

- 19 Tentative views of EFRAG were the following:

- The IASB should consult on evidence-based fully developed agenda proposals supported by evidence that improvement of an existing standard is needed, or a gap in financial reporting standards needs to be filled, and that benefits justify the development and implementation efforts.
- The number of projects to be included on the IASB's agenda should be limited, meeting the limited resources and time available.

Evidence-based agenda-setting

- 20 In general, participants supported an evidence-based agenda setting process and agreed that tentatively selected projects (project proposals) should be the subject for public consultation before the specific project is started. The following issues were pointed out:
- (a) Feedback received from constituents should be regarded as evidence and further considered by the IASB when setting its agenda;
 - (b) Issues resulting from evidence might be included first in a research agenda, which could operate as an intermediate stage and allow for a more effective

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and easier management of the various issues before they result in a new project proposal.

- (c) Gathering evidence could result in a significant amount of issues that need to be addressed and this, as a result, could be to some extent inconsistent with the previous idea of a period of calm. However, the boundaries of the IASB work, which limit its responsibilities to general purpose financial statements, should be taken into consideration when gathering evidence;
- (d) It might not be necessary to fully replicate the due process. Efforts should focus on finding an appropriate balance in order to avoid overextending the overall process. An evidence-based process might lead to longer period before a project could be included in the agenda. This result would be particularly undesirable in those cases where evidence already exists and the need for a new standard is compelling; and
- (e) From the preparers' perspective, the evidence-based process, and particularly the due process, should be flexible enough to allow constituents to manage their limited resources in order to give valuable input to the overall process; and
- (f) The IASB should estimate the amount of resources needed to complete a project which would be also subject to public consultation.

Agenda management and project proposals

- 21 A considerable number of participants believed that the IASB, as a global setter, should develop a rationale and clear criteria to include projects on the agenda and to prioritise projects. The IASB should not rely heavily on the number of comment letters received. Some participants further indicated that inclusion of projects on the agenda should be based on their urgency, importance and relevance. As a result, the agenda should stay alive and would be adapted depending on specific circumstances. Other participants also suggested the IASB should plan its agenda and categorise its projects based on what could be finalised in the short, medium and long term. It was also noted that the IASB should ensure that the agenda remains balanced and manageable, comprising a blend of standard-level projects, narrow-scope amendments and research activities in progress at any time. Participants suggested that the IASB should close a project if agreement on that project could not be reached within reasonable time.
- 22 Participants agreed that it is important to know the exact purpose of a project before it is initiated and what problems the project should address. In this way, the IASB should promote discussion on the objectives among constituents. Applying these recommendations should avoid changing projects objectives once projects are initiated and would allow for an easier assessment of effects resulting from standards.
- 23 Some participants in the meetings stressed that a low success rate affects the credibility of the IASB, therefore the IASB should prevent situations where the original objectives have not been accomplished. In addition, once a discussion paper or exposure draft is issued by the IASB, it should clearly detail the reasons supporting its inclusion on the agenda and its need. Some participants went beyond proposing to include always a convincing justification of the benefits exceeding the costs of a project. This should avoid developing standards that do not represent a clear improvement in financial reporting compared to the current standard which they replace.

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- 24 In general terms, participants agreed that the IASB should consider including fewer projects on its agenda. Several participants also suggested that the IASB should start and finalise those projects, once included, in a faster way.

Post-implementation reviews

- 25 Post-implementation reviews might provide evidence that further development of IFRS is needed and were generally welcomed by participants. Participants broadly supported extending the scope of these reviews in order to capture issues arising both from the development and implementation phases of the standards.
- 26 Some participants believed these reviews should also be extended to all existing standards. On the one hand, this would allow identifying those requirements in standards that are broken or need further guidance, and on the other, the IASB would gather valuable information on different issues by jurisdiction and industry. Other participants in the meetings wondered whether it would be too early to conduct post-implementation reviews after two years as suggested in the Agenda Request.
- 27 It was also suggested that regional and national organisations could participate in the post-implementation reviews, allowing the IASB to have more resources for new projects or activities.

The role of convergence

- 28 Tentative views of EFRAG were the following:

- By focusing on an evidence-based agenda setting process, i.e. based on needs identified in practice, EFRAG is also saying that convergence cannot be the driver of agenda setting.

High quality global financial reporting standards

- 29 The majority of participants believed that the agenda decisions should be evidence-based, and as result, the agenda should not be driven predominantly by convergence. Convergence in their view is important as long as it supports and results in a single set of high quality financial reporting standards. Consequently, participants suggested that convergence should not be the primary objective but rather a secondary and relevant objective for the standard setting process; however, some noted that it would never be achieved unless a consistent Conceptual Framework is in place.
- 30 Participants largely supported IFRS as a single set of high quality global financial reporting standards. One participant also believed that the attribute of high quality cannot be considered in isolation; instead, it should be assessed in relation to the outcome, i.e. whether standards result in reliable and useful financial reporting. They felt that the IASB is not always considering if the information provided under current IFRS is useful for the decision-making process.
- 31 Although convergence should not be considered as the main driver for setting the agenda, participants highlighted some merits of convergence such as increasing comparability across countries and the chance of taking advantage of the valuable experience accumulated in other countries over the time. Particularly, some participants believed that US and China are large jurisdictions which need to have a voice within the IASB standard setting process. There would be no benefits if such big economies go their own financial reporting way.

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- 32 Some participants observed that starting new phases of convergence through additional memoranda of understanding with other jurisdictions would be troublesome. In addition, they believed that the different backgrounds of jurisdictions could justify different principles. Also it was thought it would be beneficial if the IASB and FASB could find an appropriate level of agreement or disagreement ('agree to disagree') when developing joint projects. If the Boards, for example, agreed on 90% of the issues, they should assess, considering the expected time and resources needed, whether further discussions could result in more converged standards.
- 33 Some participants were supporting convergence to a larger extent than the majority did and believed convergence should continue to be an important driver for setting the IASB's agenda. The participants noted that the global mutual dependency has been reinforced by the recent financial markets crisis and would be a strong reason for promoting convergence. These participants also noted that it would be necessary to continue with the convergence programme if the US does not adopt IFRS and believed it should be mandatory for the IASB and FASB to find single solutions in certain cases (e.g. measurement of software and the differences between IFRS and US GAAP which have implications in capital requirements of financial entities).
- 34 However, some participants noted that convergence with US GAAP is impossible in practice, given the nature of this set of standards being rules-based whereas IFRS are principles-based.

Enhancement of the Conceptual Framework and its role

- 35 Tentative views of EFRAG were the following:

- When assessing what projects to include on the agenda, the following factors should be considered: 1) a need to improve financial reporting has been demonstrated; 2) unless strong and convincing arguments can be presented in favour of the contrary, a standard conflicting with the Conceptual Framework should not be finalised until the contents of the amendments to the Conceptual Framework on the relevant points have been decided. The projects to include on the agenda should be chosen based on the assessed effects of completing the projects.

The Conceptual Framework is a priority

- 36 Almost all the participants believed the IASB should complete and finalise the Conceptual Framework as soon as possible. Reviewing and enhancing the existing Conceptual Framework is necessary to provide a clear set of principles to support individual standards, and should be a high priority for the IASB. Participants noted that the IASB has been working on this project for a long time and its incompleteness is unhelpful for its discussions and due process. In this regard, the project should not be allowed to take many years.
- 37 Some suggestions broadly supported by participants in the meetings are:
- (a) *Split into parts* – the project on the Conceptual Framework could be split in different parts or phases, giving priority to those parts that they have proven to be deficient or incomplete. The boundaries of financial reporting, the recognition principles, the distinction between transactions recognised in other comprehensive income and in profit or loss, the notion of performance reporting and the definitions of assets and liabilities were parts highlighted at

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the various European meetings. In addition, some suggested that those parts with a high priority should be completed first and in a limited time period say of two years;

- (b) *Disclosure Framework* – the enhancement of the Conceptual Framework should also include a Disclosure Framework. On the one hand, participants highlighted that disclosure requirements are spread in different standards, which make them somehow incomprehensible. On the other hand, many participants complained about the current amount of disclosure requirements and believed the IASB should make progress towards achieving their reduction through the development of this Disclosure Framework. However, some participants noted that not only the amount of disclosure is an issue that has caused much criticism during the current financial crisis, but also irrelevant, excessive, or immaterial disclosures make it difficult to assess an entity's performance. Some participants stressed that IFRS did not provide users with relevant information and would prefer less information to be included in the disclosures and more focused on the entity's performance. Participants generally welcomed various worldwide initiatives and more in particular EFRAG's proactive project on Disclosure Framework in partnership with the French standards setter ANC and the UK standard setter ASB, and with involvement of the FASB, to deal with this subject. They observed that consolidating all disclosure guidance into a single standard, as proposed in the Agenda Request, would not by itself achieve the necessary improvement. In this regard, participants' views were not unanimous: some participants suggested addressing the Disclosing Framework separately, whereas others believed it should be a comprehensive part of the Conceptual Framework.

The notion of 'materiality' needs to be addressed given the concerns about immaterial disclosures; several participants troubled with the notion of materiality and thought the IASB should help regulators to interpret materiality because of its importance with respect to disclosures.

- 38 Some participants also made other suggestions which are largely consistent with the previous thoughts:
 - (a) *"Living document"* - The Conceptual Framework should not be static but should be amended to reflect changes in the reporting environment. In this regard, the IASB should continue to assess the Conceptual Framework when new standards are developed; and
 - (b) *IFRS review* – The IASB should review all the standards once the Conceptual Framework would be finalised in the order to ensure that they are aligned.
- 39 Contrastingly to the general view, some believed it is meaningless to divide the completion and enhancement of the Conceptual Framework in different phases and suggested developing a complete document which would be need to be implemented only once.

The role of the Conceptual Framework

- 40 Regarding the role of the Conceptual Framework, there were divergent views on whether a new standard that is in conflict with the Conceptual Framework should be issued or not. Some participants highlighted the fact that the Conceptual Framework would not soon be finalised, therefore, the IASB should be able to issue new standards during this period. They believed that the Conceptual

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Framework being incomplete should not result in deferring publication of necessary accounting requirements. Other participants agreed with EFRAG's proposals and believed that only in exceptional cases a standard which is in conflict with elements of the Conceptual Framework should be issued.

- 41 Participants' views were also divided on the most appropriate way to proceed until the Conceptual Framework's finalisation: although its conceptual debate and the development of new standards could take place at the same time, some participants thought the current Conceptual Framework is not sufficiently developed, therefore, it would not be sensible to assess new standards against its principles, whereas other participants thought this assessment the current Conceptual Framework can be used in this respect. However, once the Conceptual Framework would be finalised, the majority of participants believed that new standards and amendments should follow the principles of this new framework.

Research

- 42 Tentative views of EFRAG were the following:

- The IASB should make proper use of research, but should not allocate more resources to areas such as Integrated Reporting than what is necessary to monitor the development as it may influence financial reporting.
- The development of the IFRS taxonomy should not be integrated in the standard-setting process. However, the IASB should ensure that its standards are sufficiently clear to enable the development of the IFRS taxonomy.

- 43 Although research was not discussed at all the meetings, participants provided the following comments:

- (a) *Role of academics* – Academics could be helpful in improving the Conceptual Framework and perhaps also in performing the post-implementation reviews. If research activities were somehow outsourced, the IASB should be very specific about what should be done. The IASB could coordinate the research done by academics instead of spending its own resources on this. In addition, the IASB should take advantage of the research done so far by academics or other organisations such as EFRAG and the National Standard Setters;
- (b) *Timeframe constraints* – Timeframes of academic research and of the standard setting process might be very different. In cases where the IASB wanted to outsource research, it should provide specific guidance on the aspects that need to be addressed and the related methodology.

- 44 Only few participants referred to the way the IASB and IFRS should interact with integrated reporting. Some believed the IASB should be involved in integrated reporting, since there was the concern the IASB could get only a secondary role in the future if it would only be involved with issues related to financial statements. If that were the case, then the IASB should adhere to those guidelines developed by other organisations more actively involved and could not lead the process. Other participants noted that the IASB at present should not consider integrated reporting but focus on financial statements.

Standard-setting process

45 Tentative views of EFRAG were the following:

- Projects should only be included on the agenda where there is evidence to support that improvements are necessary on a particular topic. If there is not sufficient evidence to demonstrate the need for a new standard or amendment, the related project should not be included on the agenda.
- Not all the projects may require the Conceptual Framework to be changed. There are also some issues that could be solved within the existing Framework and thereby improve the quality of IFRS and facilitate consistent application.
- The IASB would also need to respond to urgent issues that may arise.

46 Participants in the meetings expressed a wide range of opinions related to the standard-setting process. The majority of them were in the form of specific concerns and include the following:

- (a) *Understandability* - Participants noted that IFRS were too complex, not understandable and difficult to apply. The benefits of providing users with transparent information and the complexity of the standards needed to be balanced. Participants suggested writing IFRS in a manner that would be easier to understand and referred to the IFRS for SMEs as a good example. When the IASB developed the IFRS for SMEs, the main requirements of the full IFRS were explained in a simple way; therefore, lessons learned in doing that could also be used in making IFRS more understandable. Certain participants also expressed concern regarding IFRS translation into other languages since translated standards need to communicate the same messages as the original English-language version. In order to achieve an even better understanding, some participants also suggested that the IASB should better explain to constituents the changes made to IFRS and the underlying objectives;
- (b) *Structure* - IFRSs could be reorganised to make their application easier for preparers and users. Some suggested a reorganisation of the whole IFRS Handbook by topic as a possible way to address this situation. Others believed that focusing on activities rather than industries would enhance the accessibility of IFRS (industry-based standards); however, this view raised some concerns in that participants observed that it could impair comparisons across industries;
- (c) *IFRS review* - Some participants supported a profound review of all the existing standards with the objective of ensuring that concepts and definitions are being used consistently across the standards since it is not satisfactory to rely on post-implementation reviews to identify weaknesses and practical problems. This review should also include the four main forthcoming standards and would be in addition to reviewing standards for consistency with the Conceptual Framework as previously mentioned;
- (d) *Intermediate issues* - In a meeting it was noted that there are some issues coming out from specific industries with a complexity and scoping that fall both outside the boundaries of the need for a new standard (because these are too minor) and outside those being addressed by the IFRS Interpretation Committee ('IFRSIC') as interpretations or annual improvements (too major). Participants suggested that the IASB should develop a mechanism to deal

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with such type of issues, which could be a real problem for particular industries, without getting into a rules-based approach, and should adapt its due process to handle those specific problems in the way that suits best;

- (e) *Urgent issues* – Certain participants noted that the IASB should reserve some time for unexpected events and urgent issues. One lesson learnt from last few years is that the IASB should be able to react to changes in economic and business environment by shifting resources allocated to the different areas if needed. Other participants thought that the group that was established to deal with issues related to the financial crisis had been very useful. In this regard, they specifically suggested the establishment of such a task force which should be permanent and different from the IFRSIC;
- (f) *Interpretations* – Participants generally suggested that IFRSIC should be more involved in the agenda setting process and improve its own effectiveness. The IFRSIC should be careful that its decisions do not become application guidance. Participants in certain locations would like to extend the interpretative capacity of local National Standard Setters, or local regulators, suggesting the possibility of developing interpretations and/or application guidance on IFRS at country level. This proposal was not supported by the majority of participants; since it would undermine the principles-based nature of IFRS;
- (g) *Enforcement* - A number of participants were concerned and showed disagreement with those situations where governments overrule IFRS in their local accounting standards. If these amendments are not IFRS-compliant, they will undermine the overall objective of achieving a single set of high quality global standards. However, they emphasized that enforcement is the role of regulators, not of the IASB nor of EFRAG.

Appendix – Feedback received from the questionnaires

Background and introduction

Participants in the various events completed a short survey which invited them to balance IASB's resource efforts between various strategic priorities and to indicate what specific projects they thought should be included on the IASB's agenda and what projects should not be included. The survey was supported by questionnaires.

The questionnaires asked participants to state their professional background, including the following options: (i) Financial statement preparer, (ii) Financial statement user, (iii) Auditor, (iv) Academic, and (v) Other.

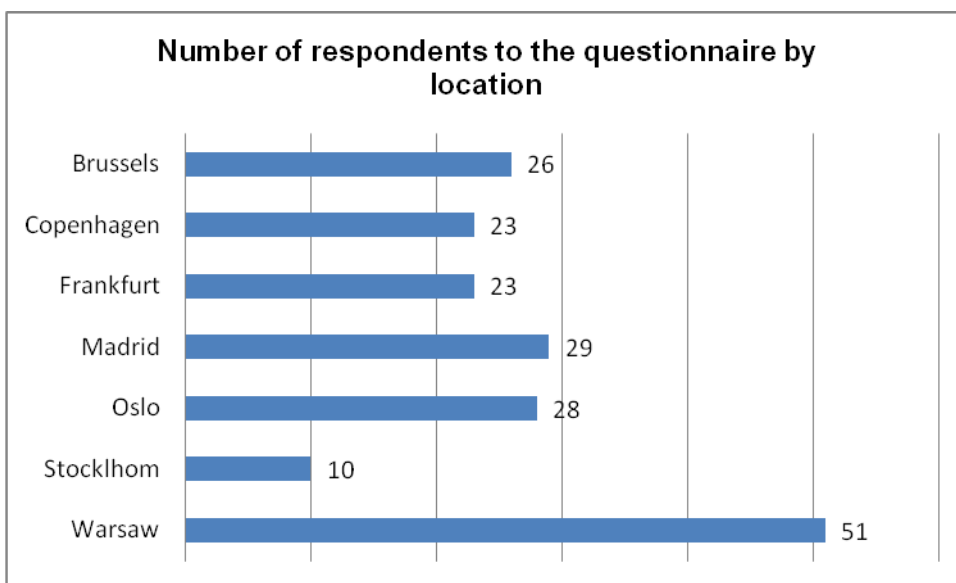
The five strategic areas identified in the questionnaires which participants should balance, allocating a total of 100 points, were: (i) Conceptual Framework, (ii) Disclosure Standard, (iii) Post-implementation reviews, (iv) Updating existing standards, and (v) Developing new standards.

The questionnaires identified a list of specific projects based on the list included in the IASB's consultation document of projects previously added to IASB's agenda, but deferred, and new project suggestions that various stakeholders have brought to the IASB's attention as being either: (i) an area that needs significant additional guidance, (ii) an issue that needs to be reviewed, (iii) a topic where the current leads to operational difficulties. One of the specific projects included in the IASB's list; and as a result also in the questionnaires, was a standard on presentation and disclosures. EFRAG staff included in the questionnaires the project on the Conceptual Framework aiming to gather the individual opinions of participants on this topic not included in the IASB's consultation document projects' list. In addition to this list made up of 24 specific projects, participants could also include other projects they thought were most or least important.

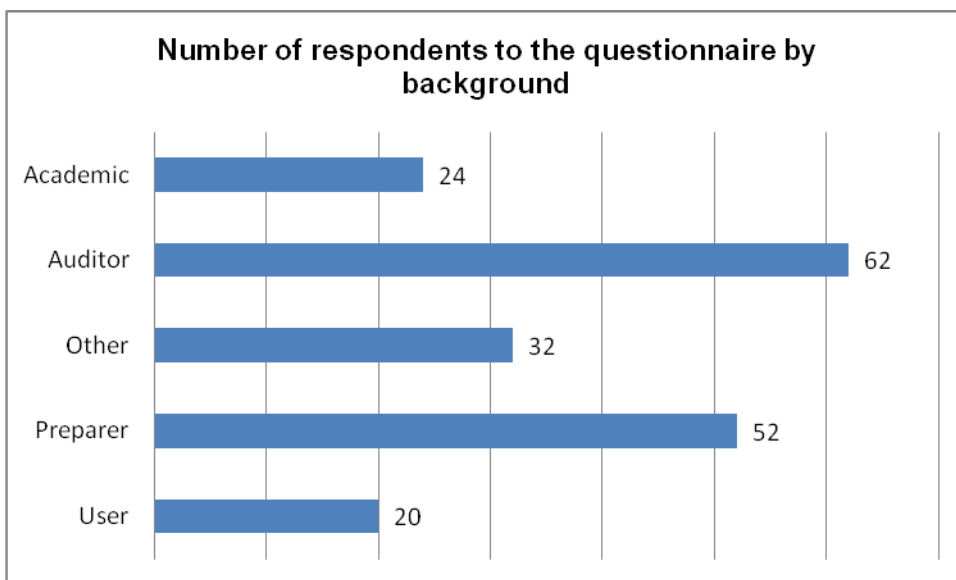
The questionnaires assumed that the IASB will bring to a close its projects on Revenue Recognition, Leases, Financial Instruments and Insurance Contracts; therefore, these projects were not included in the questionnaire.

The survey was completed by 190 participants. This appendix presents the results of the questionnaire. The responses are presented to the extent possible by location and by the respondents' background.

Information about respondents



The questionnaires were not used in Amsterdam's Outreach event because the attendees there believed that a more fundamental rationale should be developed for the selection of projects rather than making a somewhat random choice from projects which have been on the agenda of the IASB before or on which a certain amount of work has been performed in the past by the IASB. However, their input is provided in the qualitative descriptions included under the caption 'Overview of results of the questionnaires and brief analysis'.

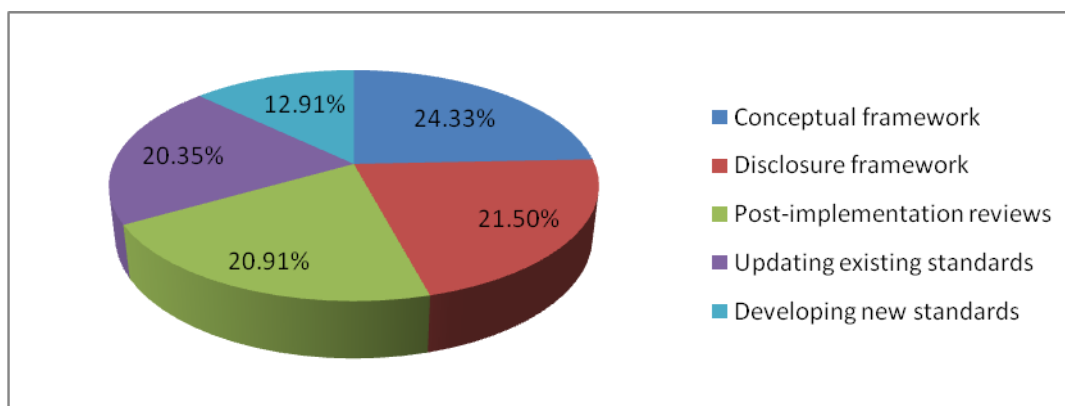


The group named 'other' consists of respondents from different backgrounds including, among others, accounting standard setters, banking and other national regulators, policy advisers, trade and industry associations, accounting institutes and statisticians.

Summary of the feedback received

Overall balance between strategic priorities

Overall response



Allocation of priorities by location and background

Location	Background	Conceptual Framework	Disclosure Framework	Post-implementation reviews	Updating existing standards	Developing new standards
Brussels	Auditor	22.00%	17.00%	19.00%	24.00%	18.00%
	Other	25.00%	27.27%	25.00%	16.36%	6.36%
	Preparer	18.50%	24.38%	20.38%	17.38%	19.38%
	User	52.00%	31.50%	16.50%	0.00%	0.00%
Brussels Total		24.50%	24.73%	21.77%	16.88%	12.12%
Copenhagen	Academic	30.00%	27.50%	15.00%	20.00%	7.50%
	Auditor	25.00%	26.88%	17.50%	18.75%	11.88%
	Other	15.00%	20.00%	20.00%	25.00%	20.00%
	Preparer	21.82%	26.82%	18.18%	19.55%	13.64%
Copenhagen Total		23.04%	26.30%	17.83%	19.78%	13.04%
Madrid	Academic	25.71%	22.86%	23.57%	17.14%	10.71%
	Auditor	22.50%	21.25%	23.75%	24.38%	8.13%
	Other	35.83%	25.00%	24.17%	9.17%	5.83%
	Preparer	20.00%	10.00%	34.00%	22.00%	14.00%
	User	33.33%	18.33%	11.67%	30.00%	6.67%
Madrid Total		26.72%	20.17%	24.31%	19.66%	9.14%
Stockholm	Academic	27.50%	22.50%	17.50%	22.50%	10.00%
	Other	18.75%	15.00%	25.00%	31.25%	10.00%
	Preparer	40.00%	20.00%	10.00%	10.00%	20.00%
	User	15.00%	15.00%	45.00%	13.33%	11.67%
Stockholm Total		21.50%	17.00%	28.00%	22.00%	11.50%
Warsaw	Academic	33.89%	20.00%	17.22%	15.00%	13.89%
	Auditor	22.25%	16.00%	19.25%	21.25%	21.25%
	Other	28.33%	16.67%	11.67%	31.67%	11.67%
	Preparer	23.75%	20.00%	20.42%	22.08%	13.75%
	User	15.00%	27.86%	17.86%	32.14%	7.14%
Warsaw Total		24.02%	19.31%	18.53%	22.45%	15.69%
Grand Total		24.33%	21.50%	20.91%	20.35%	12.91%

Summary of the feedback received

Participants in the various Outreach events, with the exceptions of Amsterdam, Frankfurt and Oslo, balanced the IASB's resource efforts between various strategic priorities. Based on the above table, 24% of the IASB's available resources should be allocated to the finalisation and enhancement of the Conceptual Framework. Participants with an academic background and the group of other participants seemed to attach more importance to this strategic activity. The following facts should be noted: (i) in Madrid other participants (mainly supervisory representatives) allocated 36% of the total resources to the Conceptual Framework, and in Stockholm 40% of preparers indicated the same direction; (ii) however, in overall terms and due to the uneven balance of responses among participants in each location, Madrid would report a 27% of resources allocated to the Conceptual Framework and Stockholm only 21,5%, and (iii) participants with a user background in Warsaw and Brussels allocated 15% and 52% of the resources to the Conceptual Framework respectively, although both locations have in average terms a global results fairly equal to the global allocation (24% in the above table).

The overall allocation for the Disclosure Framework, Post-implementation reviews and Updating existing standards is quite balanced between them and would represent approximately 60% of the total available resources.

Regarding the Disclosure Framework, the ranking by background is very similar to that for the Conceptual Framework with the difference that academics seem to rank the Conceptual Framework above the Disclosure Framework. However, the above mentioned differences observed for the Conceptual Framework do not occur in this strategic area.

For the majority of participants post-implementation reviews are valuable. In Madrid preparers allocated 34% of the resources to post-implementation reviews and users only 12%. In Stockholm it was the opposite: users distributed 45% of the total resources to post-implementation reviews and preparers only 10%. However, we have no direct explanation for this result.

In overall terms, updating the existing standards is considered more important than Developing new standards. Academics, user and other participants seem to support less the development of new standards. Updating the existing standards may not have sense without the completion of the Conceptual Framework while the least resources distributed to Developing new standards seem to be consistent with the request for a period of calm in the different Outreach events.

Summary of the feedback received

Overview of results of the questionnaires and brief analysis

Ranking on the most important projects by location

	GLOBAL	BRUSSELS	COPENHAGEN	FRANKFURT	MADRID	OSLO	STOCKHOLM	WARSAW
Conceptual Framework	1	1	2	2	1	1	1	3
Presentation and disclosure standard	2	2	1	2	5	3	2	1
Other comprehensive income	3	3	5	1	5	3	1	5
Business combinations between entities under common control	4	5	4	4	2	1	6	2
Financial instruments with characteristics of equity	5	4	4	4	3	2	5	6
Financial statement presentation (excluding OCI)	6	6	3	6	4	5	4	2
Intangible assets	7	9	4	9	6	6	3	4
Discount rate	8	8	8	7	5	4	3	7
Income taxes	9	10	7	10	6	3	4	11
Foreign currency translation	10	10	8	5	8	7	6	9

Relative vote on most important projects including all Outreach events by background

Specific Projects	Academic	Auditor	Preparer	User	Other	Grand Total
Conceptual Framework	83%	40%	58%	45%	69%	56%
Presentation and disclosure standard	54%	56%	73%	35%	41%	56%
Business combinations between entities under common control	38%	61%	37%	30%	34%	44%
Other comprehensive income	46%	35%	42%	35%	56%	42%
Financial instruments with characteristics of equity	25%	55%	31%	30%	31%	38%
Financial statement presentation (excluding consideration of OCI)	50%	40%	35%	25%	38%	38%
Intangible assets	42%	27%	31%	20%	13%	27%
Discount rate	46%	15%	10%	25%	38%	22%
Liabilities – amendments to IAS 37	8%	29%	17%	15%	13%	19%
Income taxes	21%	13%	21%	20%	13%	17%

First of all, the various specific projects for each individual location have been ranked. This individual ranking has been done considering the number of votes that each project received from participants in the survey. Then, a global ranking has been created considering the number of locations in which a specific project appears in the ranking, i.e. more importance is given in the global ranking to those projects for which the assessment is shared by a larger number of constituents. The average of the importance given by each location in order to obtain an average based on the number of locations which ranked a specific project.

Summary of the feedback received

It can be observed from the above table that the Conceptual Framework is the most important project for constituents and in the majority of the locations including Amsterdam where no questionnaires were used. Participants in the Warsaw's Outreach event seem not to attach a similar importance, ranking other projects above it. In that event it was said that financial statements preparers tended to focus on designing systems to produce information, thus the projects on presentation and disclosure were important in order to shape the desirable output, while those who were concerned with developing principle-based standards give more importance to the Conceptual Framework. In Warsaw, 63% of the questionnaires were filled by preparers and auditors.

The second project in the ranking would be a Presentation and disclosure standard. The majority of the locations rated this project as a high priority, with the exception of Madrid. In that outreach event, participants seemed to give more importance to the projects on Business Combinations under Common Control, due to the fact that the Spanish accounting rules already deal with this topic, and to Financial Instruments with characteristics of equity because of the interrelations with cooperatives classification of equity instruments (the structure of a cooperative is very commonly used in Spain) and the banking entities restructuring process. The issues related to the project on Other Comprehensive Income appear in the next position. The individual rankings are quite balanced with the exception of Frankfurt and Stockholm. In those outreach events several participants highlighted different opinions and views related in this respect. From an overall point of view, participants agreed that a project on OCI should provide a clear and appropriate distinction between items recognised in profit or loss and in other comprehensive income. The project should also focus on the recycling mechanics between the two statements.

The project on Business Combinations between entities under Common Control would be in fourth position. This project seems to be a high priority in Oslo and Warsaw, in addition to the case of Madrid above mentioned. In general terms, Business Combinations under Common Control is an important issue to deal with due to diversity in practice and the lack of specific guidance in IFRS. In the Warsaw Outreach event it was noted that there had been a lot of consultation with Polish companies regarding the accounting treatment of this type of transactions. From a Norwegian point of view, these transactions were noted also as important in the Oslo's Outreach event. In addition, it should be noted that this project is in a better position in the second table due to the number of participants in Frankfurt who voted in favour of that project.

In the fifth and sixth positions appear the projects on Financial Statement Presentation and Financial instruments with Characteristics of Equity. In the latter case the rankings are quite balanced except for Madrid, as already mentioned, and Oslo. A similar fact pattern occurs for the project on Financial Statement Presentation although Warsaw is in this case the exception. In addition to the explanations that have been provided, it should be noted that in the Warsaw' outreach event it was said that the relevance of the disclosures was highly correlated to the reputation of auditor engaged by companies ('the better the auditor, the better the disclosures').

In the Amsterdam event the Conceptual and Disclosure Frameworks, Other Comprehensive Income; Presentation standard; Business Combinations under Common Control and Employee benefits were identified to be projects that should be ranked highly and considered by the IASB.

The projects on intangible assets and discount rates seemed to be particularly important in Stockholm and, although it does not appear in the first table, the project on post-employment benefits was ranked in second position individually in that location. In the Stockholm outreach event it was noted that one of the issues with post-employment benefits was the rules-based requirement regarding the discount rate; participants believed a principle on the discount rate should be introduced. Post-employment

Summary of the feedback received

benefits was also an important project for participants in the Amsterdam outreach event since they thought a comprehensive review of the current standard was needed. Despite the fact that the IASB had recently amended IAS 19, it was regarded as a too deterministic, rules-based standard. In particular, a review of the standard was considered necessary in order to define appropriate accounting for 'modern' pension schemes including risk sharing features and to improve disclosures.

A project on Liabilities only appears in the second table and it is excluded from the global ranking. The underlying reason is that Stockholm did not rank individually this project. On the other hand, the project on foreign currency translation appears in the first table and not in the second one. The main reason is that the project was ranked by all locations and it is regarded as quite important by Frankfurt and Stockholm's participants since it is an international relevant issue.

Finally, it is worth noting that the results obtained by background: academics and other participants give high priority to the Conceptual Framework, auditors to the project on Business combinations, preparers to the Presentation and Disclosure standard and users' opinion seems to be spread out across the various specific projects, with a slight preference for the Conceptual Framework.

Ranking on the least important projects by location

	GLOBAL	BRUSSELS	FRANKFURT	MADRID	COPENHAGEN	OSLO	STOCKHOLM	WARSAW
Islamic transactions and instruments	1	1	4	1	2	2	1	1
Inflation accounting	2	3	2	2	3	1	2	2
Country-by-country reporting	3	1	5	3	4	3	1	4
Agriculture, particularly bearer biological assets	4	2	1	2	1	9	2	2
Rate-regulated activities	5	3	6	4	4	8	3	3
Earnings per share	6	3	3	5	5	5	4	8
Government grants	7	5	4	4	5	9	3	7
Extractive activities	8	2	8	5	8	10	4	6
Liabilities – amendments to IAS 37	9	3	8	8	10	11	2	13
Income taxes	10	6	9	9	7	11	4	10
Financial statement presentation (excluding OCI)	10	5	8	8	9	10	3	13

Summary of the feedback received

Relative vote on least important projects including all Outreach events by background

Specific Projects	Academic	Auditor	Preparer	User	Other	Grand Total
Islamic transactions and instruments	58%	53%	38%	44%	50%	48%
Inflation accounting	46%	44%	31%	37%	30%	38%
Agriculture	33%	29%	34%	50%	30%	36%
Country by country reporting	38%	39%	38%	35%	10%	34%
Rate-regulated activities	25%	23%	25%	33%	20%	26%
Earnings per share	13%	31%	16%	21%	30%	23%
Government grants	13%	23%	22%	19%	20%	20%
Extractive activities	8%	13%	13%	25%	30%	17%
Interim reporting	21%	19%	25%	12%	5%	17%
Post-employment benefits	4%	16%	13%	10%	15%	12%

The least important projects included in the top positions of the ranking are equal to those included in the first rows of the second table; only a few differences appear between the bottom rows of both tables.

The ranking of the least important projects show quite balanced opinions in overall terms; however, there are some interesting points to highlight that came out from the different Outreach events.

Overall participants indicated that, from their point of view, the least important projects were those on Islamic transactions and instruments, Inflation accounting, Country-by-country reporting, Agriculture and Rate-regulated activities. In addition some of the outreaches ranked the liabilities (amendments to IAS 37) as being amongst the least important projects.

Regarding the first project considered as least important, Islamic transactions, in the Warsaw's outreach event surprise was expressed about participant's lack of support towards the specific accounting needs of Islamic countries given the current economic context and considering that the crisis in the European Union is a global issue. Islamic countries could provide finance to the European Union in the future. Thus, some believed the European Union should respect more those countries and include, in deference, a standard on Islamic transaction and instruments in the IASB's agenda. The risk Islamic countries choosing other sets of accounting standards should not be underestimated.

The Oslo event showed a different allocation pattern. Participants in that outreach event ranked several other topics before the projects on Agriculture, Extractive industries, Income taxes and Liabilities. Also the Warsaw and Copenhagen outreach events focused mainly on the two latter projects. This gives an indirect opinion of certain projects preferred to some extent by constituents, since they were ranked in lower positions in the individual rankings compared to the global one.

In the Oslo's Outreach event it was said that Norwegian fish farmers did not support the standard. Therefore, although the results of the survey did not indicate that a project on agriculture was considered to be important, some Norwegian constituents thought it was a very important project. The Norwegian fish farmers found it very costly to estimate fair value of fish. Regarding Rate-regulated activities, it was noted that the outcome of current requirements was to report too much volatility income. Some guidance problems and inconsistencies were also reported for this project.

Summary of the feedback received

In Stockholm's Outreach event it was also noticed that Agriculture was important for some Swedish forest companies. However, the issue was not how to deal with bearer biological assets, but how to measure fair value and might explain the ranking obtained for that project in Stockholm. The European Commission representative noted in the Brussels's event that a project on Agriculture would be very appreciated by India.

In Oslo, it was noted that the low priorities participants had given to country-by-country reporting reflected that not many financial statements users had participated in the survey. Country-by-country reporting was very important for investors and other users as it enhanced cross border comparability. International requirements on country-by-country reporting would at the same time result in a level playing field. On the other hand, in the same outreach event some participants believed that country-by-country reporting was not related to financial statements and requirements should therefore be developed by organisation other than the IASB. In Stockholm participants thought country-by-country reporting was a legislative issue that should not be considered in relation to the financial statements. In the Outreach event held in Brussels it was noted that the European Council and Parliament were interested in the project on country-by-country reporting.

In the Amsterdam event also the projects on financial instruments with the characteristics of equity, foreign currency translation and share-based payments were mentioned as the least important projects to be included in the IASB agenda.

It is worthwhile to mention that the majority of the projects included in the ranking, although with certain exceptions, seem to affect certain parts of the world or specific industries.

In Oslo the development of standard on extractive activities is important. In the Outreach event it was noted that instead of developing a standard on extractive activities, it would be preferable to have more general principles developed in IAS 38 *Intangible Assets* that could also apply to extractive activities. However, if the IASB thought it was necessary to develop a separate standard on the issue, it was recommended that the standard should focus on extractive activities rather than extractive companies.

In general terms it should be taken into consideration that certain countries in the world participate less or do not take part at all in the IASB comment process; however, we do not have enough feedback in order to conclude whether European constituents are willing or not to develop standards on such topics that mainly apply to certain jurisdictions or regions.