

***EFRAG 2015 Proactive Agenda consultation***

# **Feedback statement**

**March 2016**

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## Introduction

### Objective of this feedback statement

EFRAG published its *2015 Proactive Agenda conclusion* in October 2015 to gather views from constituents on the content and effectiveness of its proactive activities. This feedback statement presents the summary of the replies received.

### Background to the Consultation

The IFRS Due Process Handbook requires the IASB to undertake a public consultation on its work plan every three years. The consultation intended to gather views on the strategic direction and balance of the work plan of the IASB

The IASB issued its Request for Views in August 2015, and in October 2015 EFRAG launched its own consultation to allow constituents to reply at the same time on the two consultation.

EFRAG issued its final comment letter on the IASB Agenda consultation in January 2016.

## Comments received from constituents

Thirteen comment letters were received from constituents and considered by EFRAG. These comment letters are available on the EFRAG website.

In general, respondents considered EFRAG proactive activities as important contributions to the international accounting debate. However, some called for more evidence and clarity on the objective that EFRAG tries to achieve in each project and the way EFRAG proactive projects were selected.

Several respondents indicated that the decision to respond to EFRAG's proactive work depended on the importance for their stakeholders and the availability of resources. Some observed that there is a consultation fatigue and suggested to develop other means for seeking input and contributions to its proactive work.

In general, respondents considered important that EFRAG stays as an independent contributor but it was noted that this does not prevent effective cooperation with the IASB.

## Questions and analysis of comments

### EFRAG's questions

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#### Effectiveness of proactive work

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EFRAG asked constituents to assess if its proactive activities have been effective as a whole.

More in particular, EFRAG asked to indicate which type of project had been more useful (Discussion Papers, Short Discussion Series or Bulletins) and how participants decided to provide feedback on EFRAG proactive projects..

### Constituents' comments

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Respondents generally noted that EFRAG's proactive efforts are important contributions to the international accounting debate and supported them. However, some respondents noted that EFRAG should more clearly define the purpose of each of its proactive projects and use the same evidence-based approach that it requires from the IASB. One respondent said that EFRAG should first consider the demand for each individual project including from users.

One respondent noted that there is a lack of evidence about the extent to which EFRAG's activities actually influence the IASB. Another respondent noted that there were reasons of disappointment in the way IASB has taken some of these activities into consideration in the past, and suggested that EFRAG investigates the reasons thereof.

In relation to the format, there was no clear indication. One constituent noted that the best format depends from the topic, one other noted that there was no preferred format. One constituent praised shorter papers as having more chance to receive feedback.

One constituent noted that EFRAG should concentrate on major issues and restrain from working on narrow issues that only interest technical accounting experts. Two constituents however noted that the scope of EFRAG proactive activities has been too wide and greater success is achieved when the objectives have been more constrained. Another respondent found individual projects more useful when they were closely linked to forthcoming IASB projects or to the existing IASB research agenda.

In terms of past papers that were successful, different respondents

## EFRAG's questions

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## Constituents' comments

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mentioned:

- The 2008 DP *The financial reporting of pensions*;
- The 2011 DP *Accounting for Business Combinations under Common Control*
- The 2012 DP *A disclosure framework for the notes to the financial statements*;
- The 2014 Research Group paper *Should Goodwill still not be amortised?*;
- The 2014 DP *Classification of Claims*;
- The 2015 Bulletin *Profit or Loss versus OCI*

Two respondents noted that the bulletins on Conceptual Framework issues had a wide audience and were widely cited, while one other thought that they were not very useful in practice.

One respondent noted that EFRAG should concentrate on having its papers as widely discussed as possible, presenting them at 'think tanks' and holding outreach events, rather than seeking written replies.

Respondents noted that there were a lot of consultations, so it was difficult to react to all papers. Among the factors that are considered when deciding to reply, respondents mentioned the relevance of topic to their constituents, whether they feel they can contribute effectively, whether they agree with the EFRAG's position, whether they took part in the development of the paper and whether the paper presents the issues in a clear and concise way.

## EFRAG's questions

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### Coordination with the IASB

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EFRAG noted that working jointly with the IASB on common research projects would be efficient, but at that the same time it was important to maintain EFRAG's role as an independent contributor. EFRAG asked constituents how to improve the coordination with the IASB in the research field.

## Constituents' comments

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The majority of respondents recommended that EFRAG remains an independent contributor also to protect its role as advisor to the European Commission. However, two respondents believed that there would be room for cooperation on Research projects without conflicting with the necessary independence.

One other respondent that EFRAG already coordinates with the IASB for instance in having joint outreaches, and found this coordination very helpful for all parties.

Respondents also recommended improving the synergies between the National Standard Setters and EFRAG (as well as with IASB) to achieve more efficiency.

### New EFRAG proactive projects

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EFRAG has preliminarily identified a number of new proactive projects and asked constituents to provide their views on them, as well as to submit additional proposals for projects:

- *Transactions with Governments* – a project to investigate on a comprehensive basis all transactions with Governments that share the characteristic to be transactions that the entity does not enter into voluntarily or are non-exchange transactions;
- *Impact of remeasurement of liabilities* – a project to investigate when the remeasurement of variable and contingent payments in different transactions (beyond the unwinding of the discount) should be charged to profit or loss;
- *Impairment model for equity investments* – to consider issues such as how to identify and measure impairment losses for financial instruments carried at fair value through OCI;
- Additional work on the Conceptual Framework – on areas where IASB proposals are deemed to warrant further development

One respondent noted that, in order to be more influential, EFRAG's proactive agenda should be set after the IASB issues its own agenda for the next years.

In relation to *Transactions with Governments*, five respondents supported the project, with four advising against it. One respondent noted that it should be made clear that the project does not intend to take on issues that relate to country-by-country reporting.

In relation to *Impact of Remeasurement of Liabilities*, two respondents supported the project, with four advising against it. However, two of them noted that the project was not needed because the IFRIC was already dealing with the issue. At the 2015 November meeting, after numerous debates, the Committee observed that this issue is too broad to address within the confines of existing IFRSs and consequently decided not to add this issue to its agenda.

In relation to *Impairment model for Equity Instruments*, eight respondents supported the project, with three advising against it. Most of the supporters noted that they disagreed with the prohibition to recycle gains and losses on equity instruments designated at FVOCI. One opposing respondent noted that a project on the issue may be perceived as disavowing EFRAG's positive endorsement advice on IFRS 9.

In relation to additional work on Conceptual Framework, three respondents supported the project, with four advising against it. Some respondents noted that the consultation was not clear on what exactly the project would entail.

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## EFRAG's questions

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## Constituents' comments

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Two respondents suggested that EFRAG should have a project on how the European public good is assessed, including quantitative measures. One respondent also suggested researching the relevance of the European endorsement criteria.

One respondent mentioned a project on share-based payments. Two respondents supported EFRAG to keep working on issues related to goodwill accounting.

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## Appendix 1 – List of respondents

Respondent	Category	Nationality
ASCG	National Standard Setter	Germany
FRC	National Standard Setter	UK
ANC	National Standard Setter	France
Ms. Denise Juvenal	Accountant	Brazil
FSR	National Standard Setter	Denmark
OIC	National Standard Setter	Italy
ICAEW	Accountants' organisation	UK
Swedish FRB	National Standard Setter	Sweden
Insurance Europe	Preparers' organisation	Europe
GDV (German Insurance Association)	Preparers' organisation	Germany
Confederation of Swedish Enterprises	Preparers' organisation	Sweden
FEE	Accountants' organisation	Europe
ICAC	National Standard Setter	Spain