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30th November 2015

Dear EFRAG Board,

EFRAG Draft Letter to the IASB – 2015 Agenda Consultation

The Danish Accounting Standards Committee (DASC) set up by “FSR – danske revisorer” discussed the EFRAG draft letter in the October meeting of the committee.

The issue was also discussed in an EFRAG/IASB Outreach event in Copenhagen 25th November 2015.

Based on these activities we are pleased to submit the following comments:

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?

We agree with EFRAG that the IASB should prioritise to finalise the Conceptual Framework, the Disclosure Initiative and the Insurance project.

In our opinion, the IASB should not prioritise making a whole lot of minor amendments to existing standards or interpretations unless a very clear indication exists that it is needed to issue a new standard or amend existing standards. In other words, we suggest that the IASB enters into a period with more focus on major projects.

The Board would for the years to come most probably need to provide a significant amount of support for the implementation of newly issued standards.

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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?

We do not believe IASB should add new projects. We support to remove from the agenda the inactive projects.

In relation to question 2(c) please see our priorities mentioned in appendix 1.

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.

and

Questions to EFRAG constituents:

29 Which projects in the IASB research programme are particularly relevant for Europe?

30 In Appendix A EFRAG has classified and prioritised the research projects. In a number of cases different views were held on the level of priority. We are seeking in particular your views on the prioritisation of these projects in addition to your prioritisation of the projects where they differ from the EFRAG prioritisation.

31 EFRAG published in 2014 a Discussion Paper on Separate Financial Statements jointly with DASB, OIC and ICAC. In your view, what priority should the IASB give to this topic in its research programme?

Referring to appendix A of the EFRAG Draft Letter, we agree with EFRAG that the IASB should prioritise the following research projects:

- "Goodwill and impairment"
- "Disclosure Initiative – Principles of Disclosure"

In addition, we have in Appendix 1 prioritised the projects, and we believe more projects should be changed from "High" to "Low". This is based on our assessment of whether there would be any significant positive effects of such projects and how common these issues are.

Having said that we will mention that a few commodity companies have informed us that for them the project on "Dynamic Risk Management" is important. However, we have not heard the project mentioned by other Danish companies including not from the banks.

Please also see our answer to Question 31 below and appendix 1 to this letter.

To the question from EFRAG we believe that the subjects we mention are of particular interest for Europe.

Questions to EFRAG constituents:

31 EFRAG published in 2014 a Discussion Paper on Separate Financial Statements jointly with DASB, OIC and ICAC. In your view, what priority should the IASB give to this topic in its research programme?

Medium priority, since separate financial statements are required in many jurisdictions and regarded as providing important financial information to creditors, tax authorities etc. Having said that, it does not necessarily mean that we support the content of the EFRAG paper.

Question to EFRAG constituents:

36 Do you agree that PiR are a useful Research tool, and not a mere due process obligation?

Yes, we believe so. We also agree with EFRAG that it might be useful to perform PiR on older standards also so that PiR's are not only carried out on newly issued standards.

Question to EFRAG constituents:

37 If so, what standards, either old or recently published, do you believe should be subject to a PiR and why?

We agree that IFRS 5 might be a candidate. For the moment, we have no further suggestions.

Question 4 – Major projects

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

We consider that the Disclosure Initiative is the most important project on the IASB's agenda.

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)?

We strongly believe there are too many small changes to individual standards. We do not at all support the too many small amendments and clarification. It is not important for constituents. It seems like it is an objective to achieve theoretical consistency, but we do not support such an objective.

We believe the IASB should improve its system of quality control to improve quality of (draft) standards before issuing final standards so for instance, there would be no need to issue amendments to a standard even before its effective date.

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?

We suggest that the IASB should issue principles based standards. In addition, we think the standards are too detailed. However, may be it is an idea the IASB prepare non-binding illustrative examples and guidance illustrating one possible way to apply the standards.

We find (and hear from Danish constituents) that the IASB too often issue minor amendments to existing, well-functioning standards.

Question 7 – Any other comments

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

In the DASC's (draft) response to the IFRS Foundation Trustees review we mention that the IASB should consider to undertake an active role in the area of the future of corporate reporting, which includes a more active role in the non-financial information reporting area.

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 essentially agree with EFRAG, however we suggest that a four-yearly agenda consultation cycle might be appropriate, but we could also accept a five year cycle.

If you need a clarification of our comments, please do not hesitate to contact Stig Enevoldsen.

Kind regards

Jan Peter Larsen
Chairman of the Danish Accounting
Standards Committee

Stig Enevoldsen
member of the Danish Accounting
Standards Committee

Appendix 1

Priorities by Danish Accounting Standards Committee:

<u>Project</u>	<u>Priority</u>
Business Combinations under Common Control	High
Definition of a business	Low
Discount rates	Low
Disclosure Initiative – Principles of Disclosure	High
Dynamic Risk Management	Low
Equity method of accounting	Medium
Extractive activities/ intangible assets/ R&D expenses (inactive)	Low
Financial instruments with characteristics of equity	Low
Foreign currency translation (inactive)	Very low
Goodwill and Impairment	High
Income taxes	Low
Inflation accounting (inactive)	Very low
IFRS 5 Discontinued Operations – consistent application	Medium
Pollutant Pricing Mechanisms	Low
Post-employment benefits (including pensions)	Low
Primary Financial Statements	Low
Provisions – revision to IAS 37	Low
Share-based payment	Low