

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Summary and analysis of the comment letters received in response to EFRAG's draft endorsement advice on Amendments to References to the Conceptual Framework in IFRS Standards

- 1 Based on the comments received in response to EFRAG's draft endorsement advice on *Amendments to References to the Conceptual Framework in IFRS Standards*, the EFRAG Secretariat suggests EFRAG TEG recommending the EFRAG Board to submit the endorsement advice presented as agenda paper 06-02 to the European Commission.

Structure of the paper

- 2 This comment letter analysis contains:
 - (a) Background;
 - (b) Summary of respondents;
 - (c) Summary of respondents' views; and
 - (d) Main positions in EFRAG's proposed endorsement advice.

Background

- 3 On 29 March 2018, the IASB issued *Amendments to References to the Conceptual Framework in IFRS Standards* ('the Amendments').
- 4 On 6 July 2018, EFRAG published its draft endorsement advice on the Amendments in which EFRAG recommended endorsement. EFRAG requested comments on its draft assessment by 14 September 2018.
- 5 On 6 September 2018, an email was distributed to remind EFRAG CFSS members of the consultation.

Summary of respondents

- 6 Four comment letters were received by 14 September 2018 (and no CFSS members that did not respond by that date indicated that they wanted to respond). The comment letters received were from (the links open the submitted comment letters):
 - (a) [Bayer AG](#);
 - (b) [FRC](#);
 - (c) [ICAEW](#); and
 - (d) [ICAC](#).
- 7 The comment letters are also available from the [project page](#) under 'Endorsement consultation'.

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Summary of respondents' views

- 8 Bayer AG, the FRC and the ICAEW agreed with the analyses included in EFRAG's draft endorsement advice without adding any comments.
- 9 ICAC, on the other hand, noted that the Amendments will mean that there will be references to different Conceptual Frameworks and that the coexistence of different Conceptual Frameworks compromises the Standards' uniformity¹.
- 10 ICAC accordingly disagreed with the assessment that the amendments:
 - (a) Meet the technical criteria for endorsement;
 - (b) Are conducive to the European public good;
 - (c) Will result in benefits;
 - (d) Will result in more benefits than cost;

Main positions in EFRAG's proposed endorsement advice

- 11 Based on the comment letters received, the EFRAG Secretariat proposes no changes to EFRAG's draft endorsement advice.
- 12 The EFRAG Secretariat acknowledges the comment made by ICAC that IFRS Standards and interpretations will include references to different Conceptual Frameworks. In addition, the EFRAG Secretariat notes that new IFRS Standards will be developed based on different conceptual frameworks. This compromises the Standards' uniformity.
- 13 The EFRAG Secretariat, however, notes that:
 - (a) Current IFRS Standards also make references to different conceptual frameworks (some refer to the pre-2010 Framework for the Preparation and Presentation of Financial Statements while others refer to the 2010 conceptual framework). The Amendments would result in IFRS Standards referring to the 2018 conceptual framework in almost all cases in which entities have to use the guidance included in the Conceptual Framework. There are two exceptions for business combinations and rate-regulated activities. However, it is the IASB's intention that these exceptions should be removed. The IFRS Standards and IFRIC Interpretations will still include references to previous versions of the conceptual framework when explaining the basis on which the Standards and Interpretations have been developed.
 - (b) Current IFRS Standards sometimes deviate from the guidance included in previous versions of the conceptual framework. Standards' uniformity is thus already compromised. EFRAG has even supported that the IASB should be able to deviate from the Conceptual Framework when developing Standards. When developing the 2018 Conceptual Framework, the IASB tried to reflect its current thinking in the framework. The 2018 Conceptual Framework is thus better aligned with recent IFRS Standards than the previous versions of the Conceptual Framework.
 - (c) The IASB will develop new IFRS Standards based on the 2018 Conceptual Framework. The concepts (including the definitions of the elements) from the revised conceptual framework will therefore be reflected in new Standards.

¹ ICAC noted: "We do not support the assessment because of the maintenance of references to different conceptual frameworks. The proposed amendments imply that the annual accounts elements meet the former frameworks definitions but not the new ones and vice versa. In consequence, the coexistence of different conceptual frameworks in order to define annual accounts elements compromise the standards uniformity."

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Conflicts between future IFRS Standards and previous versions of the Conceptual Framework will therefore not be avoided by not updating the references.

- 14 Accordingly, the EFRAG Secretariat does not assesses that not updating the references will result in more uniform IFRS Standards than updating the references.

Question to EFRAG TEG

- 15 Does EFRAG TEG agree with EFRAG Secretariat's recommendations in paragraph 11 above?