RÉPUBLIQUE FRANÇAISE
*Liberté
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AUTORITÉ
DES NORMES COMPTABLES

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PDC n°44

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Request for Information—Third Agenda Consultation

Dear Andreas,

I am writing to you on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned request for information (RFI). This letter sets out the most important matters that interested stakeholders involved in ANC's due process have identified.

We are delighted to comment on this consultation and hope our comments will help the IASB (Board) shape its next 5-year work plan. We have set out below our detailed answer to the 4 questions included in the RFI.

Question 1—Strategic direction and balance of the Board's activities

The RFI includes a description of the Board's main activities together with an indication of the current level of focus on each activity. Having considered the objectives set out in the 2016–2021 work plan, we think that the current balance of activities reflects the fact that the Board has overall performed in line with its aims as envisioned in 2016.

To assess whether that balance should be retained when shaping the 2022–2026 work plan, we considered what, in our view, the Board's goals should be. In this respect, we think the Board should give priority to:

- maintaining and 'upgrading' existing IFRS Standards. In our view, the IFRS platform has now reached a level of maturity that no longer justifies taking on many new major standard-setting projects. The Board should rather focus on making sure that the existing IFRS Standards keep abreast of the new developments and adapt accordingly. Such changes may arise from the innovation that underpins the existing digital economy or from unexpected changes in entities' legal and regulatory environment.
- moving on with the projects that are on its current work plan ie (i) finalising the existing standard-setting projects and (ii) assessing whether the existing research projects should be moved to the standard-setting phase. When deciding on how to move on with those projects, the Board should make sure that any resulting standard-setting strikes a proper cost-benefit balance, having considered the perspectives of *all* stakeholders.
- performing, to the greatest possible extent, post-implementation reviews (PIR) in due course to assess the quality of the recently issued IFRS Standards.
- ensuring that financial information together with sustainability information (or non-financial information) provides a holistic and coherent view on corporate reporting (connectivity).
- assessing how digitisation could affect (i) the way information is 'consumed' and (ii) the Board's standard-setting activities.

Having defined those objectives, we have set out below our detailed views about the changes, if any, to make to each main activity and the level of focus resulting therefrom. We have first commented on the existing activities and then suggested a new activity that the Board could undertake.

- **New IFRS Standards and major amendments to IFRS Standards (including PIRs)**

We agree that this activity should remain the bedrock of the Board's work plan and thus, should be subject to a high level of focus. We understand that this activity includes (i) the development of new IFRS Standards and major amendments to existing IFRS Standards and (ii) the PIR of the newly-published IFRS Standards.

  - **Development of new IFRS Standards and major amendments**

With regard to the development of new IFRS Standards, we note that entities have first applied 3 new major IFRS Standards over the last 5 years: IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases.* Those IFRS Standards have significantly changed the accounting landscape. They address a wide range of transactions with differing levels of complexity and require the use of judgement. Meanwhile, insurers have started to prepare for the first time application of IFRS 17 *Insurance Contracts* in 2023––IFRS 17 is a transformational Standard for most of the affected entities. Our constituents were (are) fully committed to transitioning to those IFRS Standards and have spent much time and effort to make this transition successful. Our stakeholders now call for a period of stability with regard to the development of new major standard-setting projects. Having considered the IFRS Standards introduced over the past 5 years, together with the development of other IFRS Standards since 2001 and the major amendments to the IAS Standards, we think that (i) the IFRS platform has reached a stage of substantial maturity and (ii) major standard-setting should be limited to areas where there is a compelling case for change.

In our view, assuming that the Board's resources remain unchanged over the next 5 years, there is not much room for undertaking many new major projects. We think the completion of the current work plan still requires much work from the Board and thus, we encourage the Board to focus on the existing projects. In this respect, we think that the *Primary Financial Statements* and *Regulatory Assets and Regulatory Liabilities* should be finalised on the mid-term––we note that users in our jurisdiction encourage the Board to finalise the *Primary Financial Statements* project as soon as practically possible. We also note that the existing work plan includes research projects (such as *Business Combinations Under Common Control*, *Financial Instruments with the Characteristics of Equity, Goodwill and Impairment*) that may significantly affect entities if the Board were to develop standard-setting along the tentative lines defined during the research phase. We encourage the Board to assess carefully the scope of, and need for, possible changes that would result from those projects, in particular if the potential standard-setting direction were to reverse some of the Board's past decisions––we think that the *Goodwill and Impairment* project is topical in this respect.

  - **Post Implementation Reviews**

Furthermore, we think that a significant part of the time that was dedicated to the development of new major IFRS Standards should now be allocated to the PIRs in the forthcoming work plan.

Paragraph 6.48 of the *Due Process Handbook* (DPH) specifies that the Board is required to perform a PIR of each new IFRS Standard or major amendment and that a PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date. Accordingly, the Board should undertake the PIR of (i) IFRS 9, IFRS 15 and IFRS 16 over the period covered by the next work plan and (ii) IFRS 17 rather at the end of that plan. We acknowledge that the PIRs of these Standards may 'lock' many resources but we think that PIRs are an essential exercise that contributes to the continuing relevance and acceptance of IFRS Standards. We encourage the Board to undertake those PIRs in a timely manner. Should resources be constrained, we encourage the Board to prioritize the PIRs of IFRS Standards that are giving rise to implementation difficulties (such as IFRS 16) or have widespread effects (such as IFRS 9––Impairment).

As a final note on this topic, we note that our stakeholders are generally disappointed in the outcome of the latest PIRs. They think there is headroom for improvement to this process. Consequently, we encourage the Board to:

- start PIRs on time, ie 30–36 months after the effective date of an IFRS Standard (or a major amendment) and, if not, better explain the reasons for deferring the beginning of PIRs. In this respect, we note that the PIR of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* began very lately, without clear explanations.
- not skirt around the matters that were contentious during the development of an IFRS Standard. As mentioned in paragraph 6.51 of the DPH, a PIR is an opportunity to consider those issues. In this respect, we expect the matter of the presentation of fair value changes in equity investments to be redeliberated in the context of the existing PIR of IFRS 9––*Classification and Measurement* because it is an important

matter for many French and European stakeholders.

- better explain the outcome of a PIR. We understand that a PIR can result in (i) no action, (ii) the development of educational materials or (ii) adding a project to the work plan. In our view, the Board should better explain how it selects matters for corrective standard-setting (if any).
- undertake corrective standard-setting on a more timely basis:
  - standard-setting may be required for urgent matters before a PIR starts. In this respect, some of our stakeholders think the Board should not wait until an extensive list of implementation issues be identified to assess whether to undertake urgent narrow-scope standard-setting for significant and pervasive issues. They encourage the Board to look at how the FASB dealt with emerging issues on new converged Standards (such as ASC 606 *Revenue from Contracts with Customers)*. Monitoring the emergence of urgent and important matters will be essential when IFRS 17 is implemented.
  - once a PIR has started, the timing of standard-setting could be improved. In this respect, users in our jurisdiction report their strong disappointment in the outcome of the PIR of IFRS 8 *Operating Segments* which ended with a late attempt of standard-setting and no improvement to that same IFRS Standard[1].
- assess whether to 'upgrade' the Standards in the light of new developments. For example, the development of sustainability-linked financial instruments that did not exist when the Board deliberated on IFRS 9 creates challenges that, in our view, will raise questions about the need to adjust some principles in IFRS 9.

In the light of our observations above, we recommend the Board dedicate a 35 per cent level of focus on this activity.

- **Maintenance and consistent application**

As explained above, we think that the IFRS platform has reached an advanced level of maturity. Accordingly, it is essential to make sure that those Standards work well over time—ie provide useful information in an ever-changing environment, at a reasonable cost for all stakeholders. Thus, we agree that maintaining IFRS Standards should be one of the most important area of focus for the Board.

Maintaining IFRS Standards inevitably necessitates setting aside some capacities for 'unexpected standard-setting'. In this respect, we are appreciative of the Board's reactiveness over the past years (all the more so when bearing in mind the necessary time constraints of endorsement mechanisms), in particular when it came to tackle the effects of the IBOR reform—the Board undertook two standard-setting projects to timely address those effects. We think essential for the Board to stand-ready for addressing matters that may arise from changes in the legal or regulatory environment or new types of transactions. We note in this respect that the current transition to a green economy may result in major changes in the way entities do business and thus, may trigger unexpected standard-setting in the near future.

With regard to the implementation of new IFRS Standards, we recommend the Board systematically use transition resource groups (TRG) to support the implementation of such IFRS Standards. TRGs have proved helpful for the implementation of IFRS 15 and IFRS 17. Our constituents had expected a TRG to have been set up for IFRS 16.

With regard to the implementation of existing IFRS Standards, our stakeholders are generally supportive of the activities of the IFRS Interpretations Committee (Committee). They agree the Committee's activities are instrumental in promoting consistent application and addressing urgent implementation matters. They agree the Committee's agenda decisions are useful. Having said that, our stakeholders think the interaction between the Committee and the Board could be improved (for example, it is unclear why the Board has not yet made any decision in relation to the matter of sale and leaseback of an asset in a single-asset entity[2]). They also encourage the Committee to:

- better explain the work it decides to make on a request, in particular when it decides not to consider a request. There is a perception among our stakeholders that the Committee happens to be inconsistent in the way it deals with requests or unclear about its decision to perform outreach (most notably for request related to new IFRS Standards).
- better consider the feedback received on tentative agenda decisions—some of our stakeholders observe that fair concerns expressed in comment letters are not always given appropriate consideration.
- consider some urgent matters brought forward by stakeholders in a more timely manner.

[1] In February 2019, the Board decided not to proceed with the amendments *Improvements to IFRS 8 Operating Segments—Proposed amendments to IFRS 8 and IAS 34.*

[2] In February 2021, the Committee decided not to finalise an agenda decision in this respect and recommended the Board undertake narrow-scope standard-setting.

- step back from the technical analysis it derives from the requirements in exiting IFRS Standards and assess, before finalising an agenda decision, whether such an analysis results in useful information.

In the light of our observations above, we recommend the Board dedicate a 25% level of focus on this activity.

- **The *IFRS for SMEs* Standard**

Entities in our jurisdiction do not apply IFRS for SMEs. Accordingly, we do not express any view on whether the existing level of focus is adequate. We make the assumption that the Board will maintain its existing level of focus —ie 5 per cent.

- **Digital financial reporting**

We observe that this activity mostly revolves around developing, maintaining and helping the implementation of the IFRS Taxonomy. We agree that the work in this activity should primarily focus on the IFRS Taxonomy. Listed entities in our jurisdictions are now required to use a single electronic reporting format for the preparation of their annual financial reports, ie the European Single Electronic Format (ESEF). ESEF is based on the IFRS Taxonomy. In this context, we expect the level of focus of our stakeholders, and more broadly of European stakeholders, on taxonomy-related matters to increase. We also expect implementation questions to arise. These may result in the Board spending slightly more time on this activity.

The consultation document explains that the objective of this activity is to facilitate the digital consumption of financial information. We agree this is a relevant objective. However, we think this objective cannot only be supported by the IFRS Taxonomy. We encourage the Board to monitor the developments on how users 'consume' information and whether those changes should affect the way the Board develop IFRS Standards, in particular disclosure requirements.

Digitisation should be considered as a key element of standard-setting from the start. This is to avoid any risk that taxonomy might (i) introduce common practices that go beyond the requirements in an IFRS Standard itself and thus, be an ex-post standard-setting exercise, or (ii) create an unbalance between predefined tags and extensions––any such imbalance undermining comparability between entities.

We also think the Board could expand the scope of this activity by considering how digitisation could be more embedded in all its main activities to improve their efficiency and timeliness. We agree this is a strategic activity that requires time and thought. However, this is an unavoidable topic in the context of a digital economy.

In the light of our observations above, we recommend the Board keep its level of focus on this activity to 5 per cent as a minimum.

- **Understandability and accessibility of the Standards**

Some of our stakeholders (including users of financial statements) highlight the level of complexity of IFRS Standards. They appreciate the conceptual merits underpinning those Standards but think that the Board should do more to simplify the requirements and thus, facilitate their (i) implementation by preparers and (ii) understandability by users. In other words, those stakeholders think some projects could be less ambitious from the conceptual standpoint without necessarily resulting in less useful information. They note that this would even enable the Board to proceed more quickly with the development of IFRS Standards. We acknowledge there is here a delicate balancing act and there is no 'silver bullet'. We encourage the Board to consider simplifying the requirements whenever possible. That being said, we think that the Board should leverage or expand the Basis for Conclusions and develop more Illustrative Examples to help improve the understanding of the requirements in IFRS Standards.

Our stakeholders are cognizant of the challenges of drafting global reporting standards and that simplifying the way Standards are written is possible only to some extent[3]. Our stakeholders generally support the efforts made in this respect.

The accessibility of Standards and related materials is considered as being satisfactory. We are appreciative of

[3] The shift towards easier language has limitations. For example, we note that some wording simplifications used in the Discussion Paper *Business Combinations Under Common Control* have, on our side, resulted in difficulties in understanding and analysing some Board's preliminary views.

the efforts made over the past years to make the IFRS Foundation's website easier to navigate.

In the light of the remarks above, we recommend the Board retain the current level of focus—ie 5 per cent.

- **Stakeholder engagement**

We are appreciative of the Board's effort to engage with its stakeholders. We note this is an area of focus where the Board has been particularly effective and recommend that the existing level of engagement be maintained—ie at around 20 per cent. We think it would not be realistic to increase that level of focus. This is because that activity also requires stakeholders' engagement and we observe that some categories of stakeholders (such as preparers) might not be practically able to engage more with the Board owing to time and resources constraints.

- **Connectivity**

In our view, the debate on sustainability reporting raises the matter of how that information, together with the information provided by financial reporting, fosters a holistic and coherent corporate reporting. Non-financial reporting should complement and supplement financial information. Sustainability reporting and financial reporting are currently not formally connected, leaving room for potential gaps, overlaps and a lack of coherence. Because sustainability reporting and financial reporting are expected to be placed on an equal footing, connectivity will become essential.

We understand that the consultation on the proposed changes to the IFRS Foundation Constitution indicates that there is support for the proposed establishment of the International Sustainability Standards Board (ISSB) under the IFRS Foundation's governance structure and for the proposed strategic direction. Accordingly, a future ISSB may play a role in the development of sustainability standards.

An initiative at EFRAG's level was undertaken at the request of the European Commission to perform some preparatory work for the elaboration of possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive (NFRD). The task force working on this initiative (PTF-NFRS) published a report in March 2021 outlining the importance of connectivity which, it explained, could be achieved through the identification of 'anchor points'[4]. The report also outlined the need for financial reporting standard-setters and sustainability standard-setters to cooperate in order to ensure the continuity and coherence of corporate reporting. Following the decision taken on 21 April 2021 by the EU Commission to table a legislative proposal (*Corporate Sustainability Reporting Directive* or 'CSRD') and in parallel with the legislative process currently underway, the EFRAG task force (now PTF-ESRS) has initiated the elaboration of European sustainability reporting standards. Therefore, the operationalisation of connectivity becomes a priority[5].

The objectives of connectivity may be straightforward. However, the practical way of reaching those goals is less obvious. Achieving connectivity will require the development of (i) concepts and (ii) a methodology for operationalising those concepts. This may require the Board's continuous involvement over the next 5 years as sustainability standards are being developed. Accordingly, we think such an extensive work cannot be isolated in a separate standard-setting project and recommend connectivity becomes a fully-fledged activity of the Board. This activity would include working with the ISSB and other sustainability standard-setters to achieve the above-mentioned continuity and coherence of financial reporting. As a first step, it is urgent to develop a conceptual approach of a seamless relationship between financial materiality for financial reporting and financial materiality for sustainability reporting.

We think this activity would necessitate a 5 per cent level of focus at minimum.

[4] Appendix 4.4 to the PTF-NFRS's report is dedicated to the interconnection between financial and non-financial information.
[5] This is notably specified in paragraph 36 of the CSRD.

<u>Question 2—Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan</u>

We are generally supportive of the proposed criteria as set out in table 2 of the RFI.

Notwithstanding our support, we:

- suggest the first criterion be not restricted to only one category of stakeholders, ie investors. We acknowledge that paragraph 1.2 of the *Conceptual Framework for Financial Reporting* explains that the purpose assigned to IFRS Standards is to provide useful information to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to an entity. However, this 'investor-centric' approach of standard-setting—which has particularly permeated the Board's works over the past years—should not lead to understate the interest that other stakeholders (preparers, regulators and auditors) have in the process. We encourage the Board to better include those other stakeholders' perspective when deciding whether to add a project to its work plan based on the matter's importance.
- outline the importance of the seventh criterion. The capacity of the Board and its stakeholders (see Question 4) may be limited over the next 5 years, notably having in mind that the developments on sustainability reporting may create 'bottlenecks' on stakeholders' side. Additionally, our stakeholders have observed that the development of some recently-published IFRS Standards (such as IFRS 16 and IFRS 17) has spanned over many years and thus encourage the Board to better assess (i) the scope of work and (ii) its ability to move quickly on a project before undertaking it.

From a formal perspective, we encourage the Board to explain in its final decision why the criteria used for adding a potential project to its work plan are not limited to the four criteria set out in paragraph 5.4 of the DPH[6]. We do not disagree with the merits of adding three criteria in the context of the RFI and understand that the criteria in paragraph 5.4 are written in a context that may not be applicable to the RFI. We think it would be helpful if the Board could shed light on this apparent misalignment between the RFI and the DPH.

<u>Question 3—Financial reporting issues that could be added to the Board's work plan</u>

To answer this question, we have considered the capacity indicators described in paragraph 27 of the RFI.

- **High-priority projects**

In our view, there are 3 projects that should be given a high priority.

- **Sustainability in financial reporting (<u>two</u> large-sized projects)**

We think this could be an 'umbrella' topic including several projects to address the effects of sustainability on financial reporting. Beyond the matter of connectivity between financial and sustainability reporting that, in our view, should now be one of the Board's activity (see question 1 above, in particular the reference to 'anchor points'), we think this project could include:

- <u>Sustainability-related disclosures</u>: this project would include (i) the scope of work of the project 'climate-related risks' described in paragraph B8–B11 of the RFI and (ii) social and governance matters to capture all aspects of sustainability. In addition to the possible ways forward described in paragraph B11 (on which we do not express any view at this stage of the consultation process, assuming those are only ideas to explore), the Board could explore developing a new IFRS Standard, the approach of which could be similar to the one underpinning IFRS 7 *Financial Instruments Disclosures* but applied to risks (and even opportunities) related to sustainability. Those disclosures could help users understand (i) how sustainability matters have affected, or are expected to affect, an entity's financial position, performance and cash flows and (ii) the significant judgements an entity has made and estimates it has developed in this respect.

- <u>Pollutant Pricing Mechanisms</u>: there is a long-standing lack of accounting requirements to report the effects of such schemes and diversity in practice has emerged. We note that the number of sectors subject to the EU Emissions Trading System (EU ETS) has increased over time and is expected to increase further to Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018. Additionally, new schemes such as voluntary carbon markets are expected to emerge and entities may be willing to

[6] Paragraph 5.4 of the DPH includes criteria the Board considers for new IFRS Standards or major amendments.

use those markets. Against that backdrop, we expect diversity in reporting practices to increase in relation to amounts that are potentially material. In this context, we think the Board should resume its work on this matter[7]. We agree this could be a broad-scope project if the Board were to decide to look beyond cap-and-trade emissions trading schemes.

Furthermore, we recommend the Board monitor emerging accounting issues related to sustainability. The transition to a green economy is a worldwide dynamic that has notably resulted in (i) governments implementing incentive schemes or (ii) entities undertaking activities to reduce their carbon footprint. The existing IFRS Standards may provide an adequate framework to account for many of those emerging transactions. However, some standard-setting may be needed as transactions develop and there might be a need to amend or 'upgrade' existing IFRS Standards. We encourage the Board to keep tabs on those developments and assess the need for undertaking standard-setting if (i) there are no requirements to address specific widespread transactions or (ii) requirements do exist but result in information that is not useful. We think the Committee's input could be helpful in this respect.

- **Intangible assets (one large-sized project)**

We think that the Board should undertake a comprehensive assessment and review of IAS 38 *Intangible Assets*, even though we expect such a review not to result in a major overhaul of the existing recognition and measurement. We highlight the fact that disclosures on intangibles may be part of sustainability reporting (see the EU CSRD for example) as it may be difficult, and possibly counterproductive, to modify substantially the IASB *Conceptual Framework for Financial Reporting* in relation to recognition and measurement.

We agree with the description of the main matters as set out in paragraph B49. We would also add that the recent changes in the economy tended to blurt the boundaries between intangible assets and service contracts. The boundaries between intangible assets and leases are also far from being entirely clear.

Most importantly, we think there is a need to make sure that IAS 38 is able to keep up with the changes driven by a digital economy. In this respect, we note that the Committee had the opportunity in March 2019 and March 2021 to highlight shortcomings in the requirements of IAS 38 in their application to intangible asset arrangements linked to digitalisation.

As a final note, we observe this project has a clear interaction with a 'sustainability in financial reporting' project. As explained in paragraph 8(f) the PTF-NFRS report, *'intangibles are not reflected through financial reporting and are key to the development of businesses and to their processes of sustainable value creation. Mainstream ESG disclosures and intangible disclosures are complementary. The standard-setter should consider intangibles as a key dimension of sustainable business development and therefore of sustainability reporting'.* The European Commission acknowledged the role of reporting on intangibles in sustainability reporting in its proposal for a *Corporate Sustainability Reporting Directive*.

- **Medium-priority projects**

We have also identified 5 projects that are important for a number, or all, of our stakeholders but, acknowledging the Board's limited resources, should be given a medium priority. Such projects would be well-positioned in the Board's research pipeline. Those projects are described below (in descending order of importance).

- **Statement of cash flows and related matters (medium-sized project)**

We observe that the Committee's was unable, in 2012 and 2013, to set out clear classification principles in IAS 7 *Statement of Cash Flows* and to apply them to common transactions. This is evidence of the need for the Board to undertake some rework on IAS 7, particularly having in mind investors' focus on cash flows. Our stakeholders also confirm there is a need to make improvements the statement of cash flow most notably about:
- how it reconciles with other primary financial statements,
- the definition (and boundaries) of cash and cash equivalents,
- the reporting of non-cash transactions, and
- how an entity should report the effects of supplier financing arrangements.

We also suggest the Board consider whether to remove the requirement for financial institutions to produce a statement of cash flows in accordance with IAS 7.

[7] Further to the withdrawal of IFRIC 3 *Emission Rights* in 2005, the Board undertook further research on this matter. The Board put the project on hold in 2016.

- **Review of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (medium-sized project)**

We agree with the description of the matters described in paragraph B17 of the RFI. Those matters tally with the extensive list of issues raised by the Committee in January 2016. We are also aware of stakeholders' dissatisfaction with IFRS 5.

We agree that the Board is not formally required to undertake the PIR of IFRS 5[8]. We also acknowledge the challenges of revising an IFRS Standard that is substantially converged with US GAAP. However, we remind that in its Feedback Statement on the 2015 Agenda Consultation, the Board explained that it '*intend[ed] to carry out that review after the forthcoming post-implementation reviews of IFRS 13 and of IFRS Standards 10–12*'. This review has not yet occurred. In our view, the list of issues reported by the Committee is sufficiently detailed to identify the shortcomings of IFRS 5. We are unsure of whether the Board would learn many more new things by performing a PIR. Such a PIR would even delay any need for standard-setting. Accordingly, we recommend the Board undertake a comprehensive review of IFRS 5 to address stakeholders' main concerns.

- **Cryptocurrencies and related transactions (crypto-assets and liabilities) (medium-sized project)**

We agree with the description of the matter set out in paragraph B14 of the RFI. There are two types of requests in relation to this matter:

- some stakeholders struggle to identify the applicable requirements for some crypto-assets and liabilities.
- some other stakeholders have identified the applicable requirements but think they do not result in useful information. The Committee's agenda decision published in June 2019 was considered as being helpful in identifying the applicable requirements but there are questions about whether this is the 'right' accounting outcome from a relevance perspective.

We are unaware of evidence indicating that such transactions are widespread in the IFRS financial statements of entities operating in our jurisdiction. However, such transactions may be more prevalent in some other jurisdictions. They may also develop over time and may be a source of risk or fraud. We also note that the ongoing developments in this area might result in crypto-assets and liabilities becoming more frequent in entities' IFRS financial statements.

We also note that the Basel Committee on Banking Supervision published in June 2021 a public consultation on preliminary proposals for the prudential treatment of banks' cryptoasset exposures. Some of our stakeholders observe that the possible changes in the prudential regulation may result in differing capital requirements applying to several types of cryptoassets. This will put more emphasis on refining the accounting for cryptoassets. Those stakeholders observe that the 'by default' classification of cryptoassets as intangible assets could be disadvantageous from a prudential perspective.

Accordingly, we encourage the Board to undertake a medium-sized project including:

- the development of educational materials as part of its maintenance and consistent application activities––this would help stakeholders to walk through and identify the applicable requirements,
- the assessment of whether the applicable requirements are adequate ie whether they provide with useful information. We note that crypto-assets and liabilities did not exist when IAS and IFRS Standards were developed (IAS 38 in particular) and think fair to perform such an assessment. Having performed that assessment, we encourage the Board to design a reasonable scope of work, considering the possible benefits but also the costs and practical challenges for all stakeholders. Any such scope of work could consist in amending or developing additional application guidance in existing IFRS Standards.

We encourage the Board leverage the work that some standard-setters have already performed. We draw the Board's attention to EFRAG's Discussion Paper that includes a comprehensive analysis of the matter and assesses several ways forward. ANC also developed requirements in this respect applicable to entities preparing their financial statements in accordance with French GAAP.

[8] The commitment to undertake PIRs was incorporated into the DPH in October 2008.

- **Operating segments (small-sized project)**

Users in our jurisdiction highlight the importance of operating segment information. Such information enable them to (i) better understand an entity's financial performance and cash flows and (ii) make comparisons between entities. In their view, the management approach underlying IFRS 8 *Operating Segments* does not sufficiently deliver relevant, comparable and consistent information. Consistent with their views expressed on the PIR of IFRS 8, they think the Board should revisit the requirements in IFRS 8 along the following lines:
- requiring a reconciliation at segment level between non-GAAP management measures and IFRS information,
- improving disclosures on the reconciliation between segment and consolidated profit or loss,
- requiring a precise description of segments, and
- improving the disclosures on changes in segment information.

French users' views in this respect tally with the feedback received from a number of users on the PIR of IFRS 8. Accordingly, we encourage the Board to assess whether it could make targeted improvements to IFRS 8 to provide more decision-useful information whilst not entailing significant incremental costs for other stakeholders.

- **Government grants (medium-sized project)**

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* was issued in 1983 and has not been substantially amended since then. The recent Covid-19 crisis has resulted in a number of states providing with unprecedented financial support to entities through grants that could have complex features. This background has however shed a crude light on the operability of IAS 20. In particular:
- the form of IAS 20: its structure is typical of 'old' IAS Standards and the wording is 'outdated'. The Standard mixes (i) requirements and (ii) observations that would rather be better positioned in Basis for Conclusions.
- the requirements in IAS 20: the Standard may be well operable when it comes to deal with simple assistance arrangements but the existing requirements often prove insufficiently clear to deal with more complex arrangements. The Standard's inconsistencies with the *Conceptual Framework for Financial Reporting* (most notably the 'matching approach' underpinning some requirements) together with the options permitted are its main shortcomings.
- the interaction with IFRS 9: the ongoing interaction between IFRS 9 and paragraph 10A of IAS 20 is not clear. This interaction could be usefully investigated in the context of the PIR of IFRS 9.

We note that the Board acknowledged the need to revisit IAS 20 but attempts to do so have been deferred since February 2006. Stakeholders make up for the IAS 20's shortcomings by providing disclosures. We also note that (i) the developments on sustainability may result in governments incentivising 'green schemes' through grants or other forms of assistance and (ii) any project on pollutant pricing mechanisms may have some 'ripple effect' on the principles in IAS 20. Accordingly, we encourage the Board to add this project to its agenda.

- **Low-priority projects**

We have considered projects listed in Table 5—other than those mentioned above—as being of a low priority. For many of those projects, we have not received any specific feedback from our stakeholders. For some other projects, we have received some feedback but the Board's resource constraints led us to assign a low priority to those projects.

We appreciate the technical merits of some possible projects but have, at the moment, no compelling evidence to justify their inclusion on the next work plan. We have nonetheless the following comments or suggestions in relation to some of those projects.

- **Going concern**

The recent failure of some significant corporates in some jurisdictions together with the Covid-19 crisis have shed light on the fact that IFRS Standards include few specific requirements on matters relating to going concern. In addition, the transition to a green economy may create significant challenges to the resilience of some entities' business model. Accordingly, going concern is set to remain a recurrent matter, even though not being the most important one in the accounting landscape.

IAS 1 *Presentation of Financial Statements* includes overarching requirements with regard to the information an entity discloses about significant judgments related to going concern assessments. We agree with those saying that the Board could develop application guidance to supplement the existing overarching requirements. Such application guidance could be included in IAS 1. Accordingly, we encourage the Board to assess whether to develop enhanced requirements on (i) how management should assess whether the going concern basis of preparation is appropriate and (ii) the going concern assumption. However, we think that developing any such application guidance is of a lower priority than the potential projects we identified above—this is because IAS 1 already includes 'high-level' principles for going concern. We are not entirely convinced that a project working along those line would be significant and think this would rather be a small-sized project.

We acknowledge the merits of researching the basis of accounting that applies when an entity is no longer a going concern. However, we think developing requirements in this respect would not be an easy task and would not be resource-effective having in mind the Board's capacity constraints. Consequently, we recommend the Board not explore this matter.

- **Inflation**

We do not disagree with the principle of extending the scope of IAS 29 *Financial Reporting in Hyperinflationary Economies* to economies experiencing high inflation. That being said, the Board should not contemplate proceeding with any such extension before undertaking in-depth outreach and revisiting the requirements in IAS 29. We doubt that IAS 29 could consistently be applied to a wider population of entities without further revisions. IAS 29 was issued in 1989 and has not been substantially amended since then. We think that the conceptual approach underpinning the Standard is not flawed and is still appropriate to address the financial reporting challenges arising from inflation. However, the structure and drafting of IAS 29 obfuscate stakeholders' understanding of its requirements. IAS 29 is also a principle-based Standard that lacks robust application guidance. If the Board were to start a project on inflation, we strongly recommend the Board improve the understandability of IAS 29 and develop application guidance.

The need for the Board to consider any such project will depend on how prevalent high inflation or hyperinflation will become over the next years.

- **Income taxes**

A number of our stakeholders still think IAS 12 *Income Taxes* is difficult to understand and to apply. This primarily stems from:

- the underlying nature of the transactions with which the Standard deals (tax legislation is inherently complex),
- the 'balance sheet'' approach underpinning the Standard, and
- the understandability of the Standard itself (wording and 'cluttered' structure).

In May 2016, the Board considered detailed feedback in relation to IAS 12 further to the input received from the 2011 and 2015 *Agenda Consultations*. The main application issues of IAS 12 were then identified. These applications still exist and we have no new information to provide to the Board in this respect.

- **Interim financial reporting**

We agree with the description in paragraph B54 of RFI of the issues relating to this matter.

Users in our jurisdictions also think that the Board should better consider users' information needs when setting out presentation or disclosure requirements applicable in interim financial reports. Those users say that adding such requirements would result in a better 'continuity' of information that entities provide. This would help them perform the same analyses throughout the year. We think the Board could usefully consider this comment when it develops new Standards or new amendments—this comment may be particularly relevant in the context of the *Primary Financial Statements* project currently being developed.

Question 4—Other comments

The works of the Board on financial reporting for 2022 to 2026 are expected to take place against an unprecedented backdrop of developments with regard to sustainability reporting. Those developments may happen at global and jurisdictional levels. The monitoring of developments on both financial and sustainability reporting will require stakeholders to mobilize resources.

We encourage the Board to consider developments on sustainability reporting when making decisions about (i) consulting its stakeholders on major standard-setting projects or (ii) specifying application dates for new IFRS Standards. We recommend the works of standard-setters for financial and non-financial reporting be adequately phased to avoid 'bottlenecks' on stakeholders' side. We acknowledge this a new factor the Board would have to consider when setting its agenda but think it is essential to safeguard stakeholders' responsiveness to changes in the reporting landscape.

Should you need any further information, please do not hesitate to contact me.

Yours sincerely,

Patrick de Cambourg

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