

DRSC e.V. - Feedback
EU questionnaire on the evaluation of the IAS Regulation

Questions

Please note that some questions do not apply to all groups of respondents.

Who are you?

1. In what capacity are you completing this questionnaire?

If it's *not* on behalf of an

organisation, please indicate that you are a "private individual".*

- ☐ Company preparing financial statements *[some specific questions for preparers marked with 'P']*
- ☐ Company using financial statements for investment or lending purposes *[some specific questions for users marked with 'U']*
- ☐ A company that both prepares financial statements and uses them for investment or lending purposes *[some specific questions for preparers and users marked with 'P' and 'U']*
- ☐ Association
- ☐ Accounting / audit firm
- ☐ Trade union / employee organisation
- ☐ Civil society organisation / non-governmental organisation
- ☐ Research institution / academic organisation
- ☐ Private individual
- ☒ Public authority *[one specific question for public authorities marked with 'PA']*
- ☐ Other

1.10. Public authority - please specify (you can tick more than 1 choice below if you are replying on behalf of more than 1 type of organisation)*

- ☐ International organisation
- ☐ EU institution
- ☐ EU agency
- ☒ National standard-setter
- ☐ National supervisory authority/ regulator
- ☐ Other

2.

Where is your organisation/company registered, or where are you are located if you do not represent an organisation/company? Select a single option only.*

- ☐ EU-wide organisation
- ☐ Global organisation
- ☐ Austria
- ☐ Belgium
- ☐ Bulgaria
- ☐ Croatia
- ☐ Cyprus
- ☐ Czech Republic
- ☐ Denmark
- ☐ Estonia
- ☐ Finland
- ☐ France
- ☒ Germany
- ☐ Greece
- ☐ Hungary
- ☐ Ireland
- ☐ Italy
- ☐ Latvia
- ☐ Lithuania
- ☐ Luxembourg
- ☐ Malta
- ☐ The Netherlands
- ☐ Poland
- ☐ Portugal
- ☐ Romania
- ☐ Slovakia
- ☐ Slovenia
- ☐ Spain
- ☐ Sweden
- ☐ United Kingdom
- ☐ Norway
- ☐ Iceland
- ☐ Liechtenstein
- ☐ Other European country
- ☐ Other

3. What is the name of the organisation or authority you represent? If you are part of a group, give the name of the holding company as well.*

Accounting Standards Committee of Germany

5. In the interests of transparency, your contribution will be published on the Commission's website. How do you want it to appear?*

- ☒ Under the name supplied? (I consent to the publication of all the information in my contribution, and I declare that none of it is subject to copyright restrictions that would prevent publication.)
- ☐ Anonymously? (I consent to the publication of all the information in my contribution except my name/the name of my organisation, and I declare that none of it is subject to copyright restrictions that would prevent publication.)

Relevance of the IAS Regulation

Objective

6.

The rationale for the IAS Regulation, imposing internationally accepted standards - the International Financial Reporting Standards (IFRS) - was to make companies use the same set of accounting standards, thus ensuring a high level of transparency and comparability of financial statements. The ultimate aim was to make the EU capital market and the single market operate efficiently.

In your view, are the Regulation's objectives still valid today?*

- ☒ Yes
☐ No
☐ No opinion

6.1. Comments.

The recitals of the IAS regulation do not only refer to the needs of EU capital markets, but also to the need for truly global standards. This is still valid today or even more so; pursuing new goals in future must not deter from that aim.

7.

The IAS Regulation refers to IFRS as a set of global accounting standards. Over 100 countries use or permit the use of these standards. The US, for instance, allows EU companies listed in the US to report under IFRS. However, it continues to rely on its "generally accepted accounting principles" (GAAPs) for its domestic companies' financial statements, while the EU requires IFRS to be used for the consolidated accounts of EU listed companies.

Has the IAS Regulation furthered the move towards establishing a set of globally accepted high-quality standards?*

- ☒ Yes
☐ No
☐ No opinion

7.1.

Please explain.

The EU move in 2002 paved the way for widespread adoption since; as cited by the IASB "over 100 countries apply IFRS" goes way beyond the EU.

Scope

8. The obligation to use

IFRS as set out in the IAS Regulation applies to the consolidated financial statements of EU companies whose securities are traded on a regulated market in the EU. There are about 7,000 such firms.

In your view,

is the current scope of the IAS Regulation right (i.e. consolidated accounts of EU companies listed on regulated markets)?*

- ☒ Yes
☐ No
☐ No opinion

8.2.

Comments.

The scope of the IAS Regulation should not be changed. It is appropriate to have Member States' options going beyond mandatory use for the group accounts of listed companies. The goal of strengthening capital markets by mandating the application for listed groups is served well by the current scope.

9. National governments

can decide to extend the application of IFRS to:

- individual
annual financial statements of companies listed on regulated markets

-
consolidated financial statements of companies that are not listed on regulated
markets

- individual annual financial statements of companies that
are not listed on regulated markets.

In your view, are the options open
to national governments:*

- ☒ Appropriate
☐ Too wide
☐ Too narrow
☐ No opinion

Cost-benefit
analysis of the IAS Regulation

10. Do you have

pre-IFRS experience/ experience of the transition process to IFRS?*

- ☒ Yes
☐ No

11. In your experience, has applying IFRS in the

EU made companies' financial statements more transparent (e.g. in terms of
quantity, quality and the usefulness of accounts and disclosures) than
they were before mandatory adoption?*

- ☒ Significantly more transparent
☐ Slightly more transparent
☐ No change
☐ Slightly less transparent
☐ Significantly less transparent
☐ No opinion

11.1. Please elaborate.

In the later 1990s the Frankfurt stock exchange mandated the use of IAS or US GAAP; since 1998 Germany permitted the exempting use of IAS or US GAAP for listed companies' group accounts as the Commercial Code derived from the EU Directives did not adequately serve international capital markets' needs.

12. In your experience, has applying IFRS in the EU altered the comparability of companies' financial statements, compared with the situation before mandatory adoption?

	Significantly increased	Slightly increased	No change	Slightly reduced	Significantly reduced	No opinion
In your country	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EU-wide	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compared with non-EU countries	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12.1. Please elaborate.

Multinational groups benefit greatly from one global financial reporting language; as listed too in the recitals of the IAS Regulation, rigorous enforcement needs to complement the financial reporting regime.

13. Have financial statements become easier to understand since the introduction of IFRS, compared with the situation before mandatory adoption?*

- ☒ Yes, in general
- ☐ Yes, but only in certain areas
- ☐ No, in general
- ☐ No, except in certain areas
- ☐ No opinion

13.2. Please elaborate.

Financial reporting requirements have to cope with ever increasingly complex transactions; the requirements need to be adapted on a timely basis, ie the process needs to be flexible and efficient which does seem possible only in a standardsetting mode, not when developing Directives.

14. Has the application of IFRS in the EU helped create a level playing field for European companies using IFRS, compared with the situation before mandatory adoption? *

- ☒ Yes
☐ Yes, to some extent
☐ No
☐ No opinion

14.1. Please elaborate.

The level playing field needs to go beyond European companies, applies to listed in Europe too via the Transparency Directive and trading in all jurisdictions permitting IFRS; the harmonisation via the Accounting Directives failed because of the number of Member States' options.

15. Based on your experience, to what extent has the application of IFRS in the EU affected access to capital (listed debt or equity) for issuers in domestic and non-domestic markets that are IFRS reporters?

	Made it a lot easier	Made it easier	No effect	Made it more difficult	Made it a lot more difficult	No opinion
Domestic capital	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EU capital other than domestic	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-EU capital	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15.1. Please provide data / examples if available.

IFRS are not mandatory on all stock exchanges: it is prime segments that profit; a number of EU Member States foster markets using local GAAP.

16. In your experience, has the application of IFRS in the EU had a direct effect on the overall cost of capital for your company or the companies you are concerned with? (Please distinguish - as far as possible - the impact of IFRS from other influences, e.g. other regulatory changes in the EU and the international credit crunch and crisis.)*

- ☐ Cost has fallen significantly
☒ Cost has fallen slightly
☐ No effect
☐ Cost has risen slightly
☐ Cost has risen significantly
☐ No opinion

16.1. Please provide data/
examples if available.

The volume of debt issuance has increased; isolating the effect of applying IFRS does not seem to be possible; capital markets have developed over the last decade regardless of IFRS including electronic platforms; the number of multiple listings has decreased considerably as the need to use local markets is no longer valid.

17. In your view, has the application of IFRS in the EU improved protection for investors (compared with the situation before mandatory adoption), through better information and stewardship by management?*

- ☐ Yes, to a great extent
- ☐ Yes, to a small extent
- ☒ It had no impact
- ☐ No, protection for investors has worsened
- ☐ No opinion

17.1. Please provide data/
examples if available.

Germany introduced the choice of IAS / US GAAP in 1998; the financial reporting is but one building block for financial markets.

18. In your view, has the application of IFRS in the EU helped maintain confidence in financial markets, compared with the likely situation if it had not been introduced?

(N.B.: the "enforcement"

section of this questionnaire deals with how IFRS are/ were applied.)*

- ☒ Yes, to a great extent
- ☐ Yes, to a small extent
- ☐ It had no impact
- ☐ No, confidence in financial markets has decreased
- ☐ No opinion

18.1. Please provide data/
examples if available.

Probably confidence was not just maintained, rather developed. It seems to be very speculative to attribute changes to solely the application of IFRS.

19. Do you see other benefits
from applying IFRS as required under the IAS Regulation?*

- ☒ Yes
☐ No
☐ No opinion

19.1. Yes - please specify (you may select more
than 1 option).*

- ☒ Improved ability to trade/expand internationally
☒ Improved group reporting in terms of process
☒ Robust accounting framework for preparing financial statements Administrative savings
☒ Group audit savings
☐ Other

19.2. If yes, please give
details, with examples/ data if possible.

20. In your experience, on balance and at global
level, how do the benefits of applying IFRS compare to any additional
costs incurred - compared with the situation before mandatory adoption,
bearing in mind the increasing complexity of businesses that accounting
needs to portray?*

- ☐ Benefits significantly exceed the costs
☒ Benefits slightly exceed the costs
☐ Benefits and costs are broadly equal
☐ Costs slightly exceed the benefits
☐ Costs significantly exceed the benefits
☐ No opinion

20.1. Please provide any additional comments you think might be helpful.

refer to the answer to Q19; there are less benefits for smaller companies than for larger groups (eg group reporting in "one language"); it is costly to deal with the number of amendments.

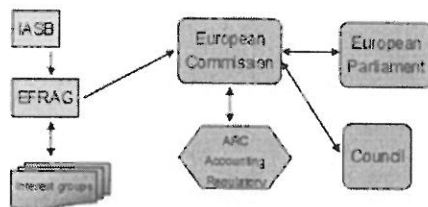
PA.1. How would you rate the administrative and regulatory burden for your authority (e.g. reporting, enforcement) arising from the ongoing application of IFRS (excluding costs relating to the initial transition to IFRS)?

If you are an EU agency, please give only a consolidated EU-level response on behalf of the authorities whose responses you are coordinating.*

- ☐ No significant impact
- ☒ Some impact
- ☐ Heavy burden
- ☐ No opinion

Endorsement mechanism & criteria

The EU's IFRS endorsement process



In the EU, IFRS are adopted on a standard-by-standard basis. The procedure is as follows:

- The International Accounting Standards Board (IASB) issues a standard.
- The European Financial Reporting Advisory Group (EFRAG) holds consultations, advises on endorsement and examines the potential impact.
- The Commission drafts an endorsement regulation.
- The Accounting Regulatory Committee (ARC) votes and gives an opinion.
- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

This process typically takes 8 months.

Endorsement criteria

Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

In his October 2013 report, Mr Maystadt discussed the possibility of clarifying the "public good" criterion or adding 2 other criteria as components of the public good, namely that:

- any accounting standards adopted should not jeopardise financial stability
- they must not hinder the EU's economic development.

He also suggested that more thorough analysis of compliance with the criteria of prudence and respect for the public good was needed.

21. In the EU, IFRS are adopted on a standard-by-standard basis. The process, which typically takes 8 months, is as follows:

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- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

Do you have any comments on the way the endorsement process has been or is being conducted (e.g. in terms of the interaction of players, consistency, length, link with effective dates of standards, outcome, etc.)?*

- "taking typically 8 months" seems to be overly optimistic
 - refer to Q14: a level playing field for European companies goes beyond the European borders, eg differing effective dates are not desirable

22. Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

Are the endorsement criteria appropriate (sufficient, relevant and robust)?*

- ☒ Yes
- ☐ Yes, to some extent
- ☐ No
- ☐ No opinion

23.

There is a necessary trade-off between the aim of promoting a set of globally accepted accounting standards and the need to ensure these standards respond to EU needs. This is why the IAS regulation limits the Commission's freedom to modify the content of the standards adopted by the IASB.

Does the IAS Regulation reflect this trade-off appropriately, in your view? *

- ☒ Yes
- ☐ No
- ☐ No opinion

24.

Have you experienced any significant problems due to differences between the IFRS as adopted by the EU and the IFRS as published by the IASB ("carve-out" for IAS 39 concerning macro-hedging allowing banks to reflect their risk-management practices in their financial statements)?

*

- ☒ Yes
- ☐ No
- ☐ No opinion

24.1. If so, please explain the nature of the problem and how it has (or has not) been resolved. *

differing effective dates between London-IFRS and EU-IFRS are unhelpful; earlier adoption permitted does not help all the way (the IAS 39 carve out is used in Germany to a very limited extent)

Quality
of IFRS financial statements

25.

What is your overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by EU companies using IFRS?*

- ☐ Very good
- ☒ Good
- ☐ Moderate
- ☐ Low
- ☐ Very low
- ☐ No opinion

25.1. Please provide any additional comments you think might be helpful.



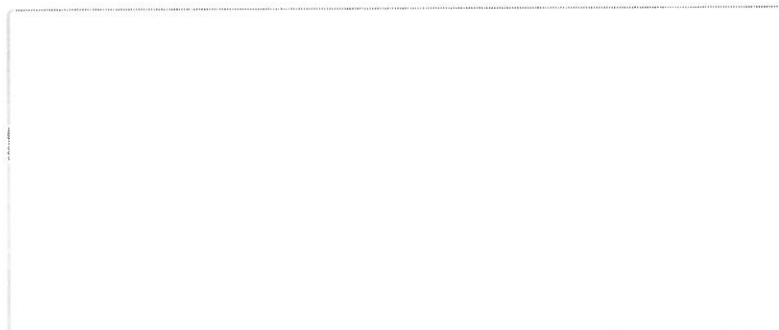
26. Given that firms have

complex business models and transactions, how would you rate financial statements prepared in accordance with IFRS in terms of complexity and understandability?*

- ☐ Very complex & difficult to understand
- ☐ Fairly complex & difficult to understand
- ☒ Reasonable
- ☐ Not complex or difficult
- ☐ No opinion

26.1. Please provide any

further comments you think might be helpful, specifying any particular areas of accounting concerned, if appropriate.



27. How

would you rate financial statements prepared using IFRS in terms of complexity and understandability - compared with other sets of standards you use?

	IFRS information is easier to understand than...	IFRS information is neither easier nor more difficult to understand than ...	IFRS information is more difficult to understand than ...	No opinion
Information under your local GAAPs	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information under any other GAAPs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

27.1. What are your local GAAPs?

German Commercial Code as derived from the Accounting Directives

27.2. Please identify other

GAAPs you are using as a basis for comparison.

27.3. Please provide any

additional comments you think might be helpful.

28. How

do IFRS compare with other GAAPs in terms of providing a true and fair view of a company's (group's) performance and financial position?

	IFRS are better than...	IFRS are equivalent to...	IFRS are worse than...	No opinion
Your local GAAPs (as identified under question 27)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Any other GAAPs (as identified under question 27)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

28.1. Please provide any additional comments you think might be helpful.

29. How often is it necessary to depart from IFRS under "extremely rare circumstances" (as allowed by IFRS), to reflect the reality of a company's financial performance and position in a fairer way?*

- ☐ Often
- ☐ Sometimes
- ☐ Hardly ever
- ☒ Never
- ☐ No opinion

29.1. Please provide additional comments and examples of departures from IFRS that you have seen.

30. How would you rate the extent to which IFRS allows you to reflect your company's business model in your financial statements?*

- ☐ This is not an issue
- ☒ IFRS are flexible enough
- ☐ IFRS should be more flexible, so different business models can be reflected
- ☐ No opinion

30.1. Please explain.*

We are not aware that any company is not able to adequately reflect its business activities; the use of alternative performance measures is not seen as an indicator as ratios are used in many variations and tend to change over time, not necessarily in the same direction within one sector.

Enforcement

Since 2011, the European Securities and Markets Authority (ESMA) has been coordinating national enforcers' operational activities concerning compliance with IFRS in the EU. ESMA has taken over where the Committee of European Securities Regulators (CESR) left off.

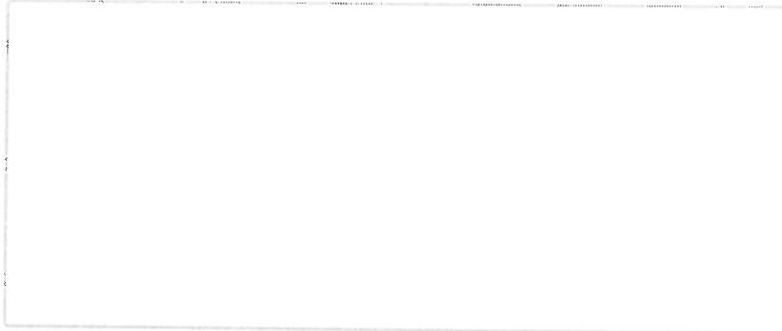
Enforcement activities regarding companies listed on regulated markets are defined in the Transparency Directive (2004/109/EC , as subsequently amended).

31. Are the IFRS adequately enforced in your country?*

- ☒ Yes
- ☐ Yes, to some extent
- ☐ No
- ☐ Not applicable
- ☐ No opinion

31.1.

Please provide any additional comments you think might be helpful.



32. Does ESMA coordinate enforcers at EU level satisfactorily? *

- ☐ Yes
- ☐ Yes, to some extent
- ☐ No
- ☐ Not applicable
- ☒ No opinion

33. Has enforcement of accounting standards in your country changed with the introduction of IFRS?*

- ☐ Enforcement is now more difficult
- ☐ Enforcement has not changed
- ☐ Enforcement is now easier
- ☒ Not applicable
- ☐ No opinion

34.

In your experience, have national law requirements influenced the application of IFRS in the EU country or countries in which you are active? *

- ☐ Yes, significant influence
- ☐ Yes, slight influence
- ☐ No
- ☐ No opinion
- ☒ Not applicable

35. If you are aware of

any significant differences in enforcement between EU countries or with other jurisdictions, do they affect your practice in applying IFRS or analysing financial statements? *

- ☐ Yes, significantly
- ☐ Yes, but the impact is limited
- ☐ No
- ☐ No opinion
- ☒ Not applicable

36. The recitals of the

IAS Regulation stress that a system of rigorous enforcement is key to investor confidence in financial markets. However, the Regulation contains no specific rules on penalties or enforcement activities, or their coordination by the EU.

Should the IAS Regulation be clarified as regards penalties and enforcement activities? *

- ☐ Yes
- ☒ No
- ☐ No opinion

37. Should more guidance be

provided on how to apply the IFRS? *

- ☐ Yes
- ☒ No
- ☐ No opinion

Consistency of EU law

There are different types of reporting requirements in the EU (e.g. prudential requirements, company law, tax, etc.)

38.

How would you assess the combined effects of, and interaction between, different reporting requirements, including prudential ones? *

Different reporting requirements arise from differing reporting objectives. Competing objectives cannot be served with one set of reporting requirements; external financial reporting must meet its objective. there are clearly cost implications of numerous reporting sets; to the extent possible a solution might be to produce one base set and reconciliations to sets serving other objectives.

39. Do

you see any tensions in interaction between the IAS Regulation and EU law, in particular:

	No	Yes	To some extent	No opinion
Prudential regulations (banks, insurance companies)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Company law	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

39.1. Other - please specify.*

taxation, scope of consolidation (investment entities)

39.2. If you answered

"yes" or "to some extent", please give details and state what the main effects of these tensions are.*

eg a differing understanding of the impairment requirements between preparers and auditors on the one hand and prudential regulators for banks seems to emerge. Stating financial instruments at different amounts does not seem to be a solution nor importing the regulators' (local or regional) understanding into global financial reporting

eg basis for dividends

User-friendliness of legislation

All standards are translated into the official EU languages before they are adopted. The Commission also regularly draws up a consolidated version of the current standards enacted by the EU (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:02008R1126-20130331:EN:NOT>). The consolidated version does not include any standards that are not yet in force, but can be applied before the date of entry into force.

40.

Are you satisfied with the consolidated version of IFRS standards adopted by the EU, which is not legally binding, or would you like to see improvements?

- ☐ Satisfied
- ☐ Need for improvements
- ☐ I wasn't aware of it
- ☒ I don't use it
- ☐ No opinion

41. Are you satisfied with the quality of translation of IFRS into your language provided by the EU?*

- ☐ Yes
- ☐ Yes, to some extent
- ☒ No
- ☐ No opinion
- ☐ Not applicable

41.1. Please give details.

for some languages competing translations exist, the EU translation of the core text and the IFRSF translation of the full texts of standards and interpretations. This competition is unhelpful / confusing. Using the "London translation" of eg the basis for conclusion of a "Brussels translation" of the core text does not work because of differing terminology. Time and again corrections have to be made; this seems to indicate a suboptimal quality control.

General

42. Do you have any other comments on or suggestions about the IAS Regulation?

currently only the "core text" of IFRS is subjected to the endorsement process. It might be worth re-evaluating that decision and re-discuss endorsing bases for conclusions, implementation guidance, the Framework.