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EFRAG's 2015 proactive agenda consultation



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2015

Introduction

- 1 The IASB 2015 Agenda Consultation was published on 11 August with the purpose of gathering views on the strategic direction and balance of the work plan of the IASB. EFRAG is seeking comments on its Draft Comment Letter reacting to the IASB on the 2015 Agenda Consultation. EFRAG's Draft Comment letter can be found at the following link <http://www.efrag.org/Front/p357-3-272/2015-IASB-Agenda-Consultation.aspx>.
- 2 The IASB Agenda Consultation addresses in the Request for Views in Questions 2 and 3 the IASB's research programme and the priorities of the research projects.
- 3 One of EFRAG's objectives is engaging European stakeholders in the analysis of, and the debate on, emerging financial reporting issues by stimulating, coordinating and carrying out proactive activities.
- 4 EFRAG undertakes proactive activities with four strategic aims:
 - (a) Engage with European constituents to ensure we understand their issues and how financial reporting affects them;
 - (b) Influence the development of global financial reporting standards;
 - (c) Provide thought leadership in developing the principles and practices that underpin financial reporting; and
 - (d) Promote solutions that improve the quality of information, are practical, and enhance transparency and accountability.
- 5 EFRAG carried out a public consultation in 2010 on its proposed work programme for proactive work in Europe. EFRAG proactive agenda is necessarily dependent on, and wherever possible coordinated with, the IASB Research activities. EFRAG has therefore decided to launch its own proactive agenda consultation in parallel with the IASB 2015 Agenda Consultation. This consultation on EFRAG's proactive agenda seeks views on both the development of EFRAG's proactive work over the recent years and EFRAG's future proactive agenda.
- 6 We welcome views on any of the points addressed in the paper. Specific questions are given in the section 'Questions to constituents'.

Such comments should be sent by

email to commentletters@efrag.org or

post to EFRAG 35 Square de Meeûs B-1000 Brussels Belgium

so as to arrive no later than 30 November 2015.

All comments received will be placed on public record, unless confidentiality is requested.



European Financial Reporting Advisory Group ■

Effectiveness of proactive work

- 7 EFRAG has been performing pro-active activities since its early stages, and in particular after 2010, thanks to the EC funding. Projects have been carried out by EFRAG on its own or, more often, in partnership with other European (and occasionally non-European) Standard Setters. Capacity in Europe can be increased through further cooperation between EFRAG and the National Standard Setters to conduct relevant research on topics.
- 8 EFRAG Discussion Papers have drawn wide attention and interest, but some constituents noted that sometimes the proactive projects took a significant time to be completed or remained at a conceptual level without addressing practical issues. Therefore, more recently EFRAG has also completed a number of projects with a narrower scope and a more practical approach, including the so-called Short Discussion Series Papers. In addition EFRAG together with ANC, DRSC, FRC, and OIC published a series of bulletins on issues related to the IASB Conceptual Framework. In some cases a combination of output was used, for example on the Business Model proactive work, EFRAG and the National Standard Setters published both a (short) bulletin and a more detailed research paper.
- 9 The number of constituents that responds to each proactive paper differs considerably between projects..
- 10 **EFRAG would intend to continue its proactive work maintaining the current balance in longer term and short term projects to address the various topics and fitting the best time frame and resources.**

Questions to constituents

- 11 What is your opinion on the effectiveness of the proactive work EFRAG is undertaking?
- 12 What type of EFRAG projects and output have been more useful:
 - (a) Discussion Papers
 - (b) Short Discussion Series Papers
 - (c) Bulletins
- 13 Do you support the current mix of output? Please mention an EFRAG paper that you consider in particular useful. And also one that you consider was not so useful. Please indicate your reasoning.
- 14 How do you make the decision to comment or not to comment on an EFRAG proactive project?



Coordination with the IASB

- 15 One of the recommendations drawn from the EFRAG 2010 proactive work consultation was that EFRAG should coordinate efforts with those of the IASB to ensure greatest effectiveness and avoid duplication of efforts. This would in particular be relevant for projects on the research programme that the IASB launched after its 2011 Agenda Consultation.
- 16 The projects included in the IASB Research programme as indicated in the Request for Views on the IASB 2015 Agenda Consultation and hence the list of projects the IASB could work on is substantial. Research projects could, more than at present, be outsourced or undertaken jointly with Regional Organisations such as EFRAG and National Standard Setters in order to enhance the IASB's capacity.
- 17 Although working jointly with the IASB would have the merit of early coordination and involvement, EFRAG believes it is important to be and remain an independent contributor rather than undertake certain projects under the direction of the IASB or outsourced by the IASB. A direct participation to IASB research activities would raise issues such as:
 - (a) which Board would direct the activity and take decisions;
 - (b) what possibility EFRAG would have of making European views and specificities emerge; and
 - (c) how taking part in the development of the research would restrict EFRAG in its capacity of advising the European Commission when these proposals would result in a new Standard.
- 18 As an independent contributor EFRAG would exercise influence on the IASB work, being one of our main objectives. All EFRAG's proactive activities need to have the potential to impact the IASB standard-setting activities.

Question to constituents

- 19 **How do you see the possible coordination of proactive work between EFRAG and the IASB? Do you think it is important that EFRAG remains an independent contributor?**

New EFRAG proactive projects

- 20 In the note to constituents in EFRAG's Draft Comment Letter on the IASB 2015 Agenda Consultation under Questions 2 and 3 a table is included summarising the IASB research programme and the proactive work EFRAG is undertaking or has undertaken on the different topics, in several cases jointly with National Standard Setters. This table is reproduced in the Appendix to this consultation.
- 21 EFRAG has tentatively decided to start work on the following projects. Preliminary work should be initiated soon:
- (a) *Transactions with Government*: during the discussion on levies, some suggested to investigate on a comprehensive basis the transactions with Government (including income taxes and Government grants), which share the characteristics of being transactions that the entity does not enter into voluntarily and/or being non-exchange transactions
 - (b) *Impact of remeasurement of liabilities*: variable and contingent payments can be included in business combinations, options on non-controlling interests, leases and purchases of tangible and intangible assets. The issue is whether the remeasurement (beyond the unwinding of the discount) should be charged to profit or loss or not. Guidance is available for contingent consideration in business combinations and in the upcoming Standard on Leasing, but not for the other transactions
- 22 Other topics that EFRAG is considering for inclusion in its proactive work programme are:
- (a) *Impairment model for equity investments*: in its endorsement advice on IFRS 9 Financial instrument, EFRAG expressed the view that IFRS 9 could have been a better standard if recycling of profits or losses arising on investments in equity instruments measured at fair value through other comprehensive income had not been prohibited. The prohibition on recycling has been justified by the IASB to avoid the need to assess these instruments for impairment, which has been shown to be complex for available for sale financial assets under IAS 39. The EFRAG research project would consider issues such as how to identify and measure impairment losses for financial instruments carried at fair value through OCI.
 - (b) *Additional work on the Conceptual Framework*, where IASB proposals are deemed to warrant further development.

Questions to constituents

- 23 Do you agree that these projects are relevant for Europe and should be undertaken? How would you see their priority
- 24 In the table in the Appendix to this consultation, the proactive work that EFRAG has carried out or is carrying out at present is listed. There are also topics on which EFRAG has not carried out work. Do you think that EFRAG should undertake work on any of these projects?
- 25 Do you see other projects than those listed in the IASB Agenda Consultation or above that EFRAG should undertake?

Appendix

Project stage	Project	EFRAG activities
Assessment stage	Definition of a business	
	Discount Rates	EFRAG is carrying out research on the accounting implications of negative rates and will analyse whether observed effects of low interest rates signal shortcomings in accounting requirements.
	Goodwill and Impairment	Discussion Paper ' <i>Should Goodwill still not be Amortised? - Accounting and Disclosure for Goodwill</i> ' by Research Group of ASBJ ¹ , EFRAG and OIC. Proactive work ongoing.
	Income Taxes	Discussion Paper <i>Improving the Financial Reporting of Income Tax</i> (2011), jointly with ASB ² .
	Pollutant Pricing Mechanisms (formerly Emission Trading Schemes)	Comment Paper on <i>Emissions Trading Schemes</i> (2012 ³).
	Post-employment Benefits (including Pensions)	Current project in pre-research phase ⁴ .
	Primary Financial Statements (formerly Performance Reporting)	Bulletin <i>Profit or Loss versus OCI</i> (July 2015) public consultation running till 26 October 2015. Short Discussion Series <i>The Statement of Cash Flows: issues for Financial Institutions</i> (2015). Research Paper <i>The role of the Business Model in Financial Statements</i> (203) jointly with ANC and FRC and Bulletin <i>The role of the Business Model in Financial Statements</i> (2013).

¹ Accounting Standards Board of Japan

² The UK accounting standard setter, now FRC

³ Analysis started on the basis of the ANC paper *Accounting of GHG Emissions Rights Reflecting Companies' Business Model* (2012)

⁴ EFRAG, German standard setter DRSC, French Standard Setter CNC (now ANC), Italian Standard Setter OIC and UK standard setter ASB (now FRC) published a Discussion Paper *The Financial Reporting of Pensions* (2008)



Project stage	Project	EFRAG activities
	Provisions, Contingent Liabilities and Contingent Assets	Short Discussion Series <i>Levies: what would have to be changed in IFRS for a different accounting outcome?</i> (2014).
	Share-based payments	
Development stage	Business Combinations under Common Control	Discussion Paper <i>Accounting for Business Combinations Under Common Control</i> (2011), jointly with OIC.
	Disclosure Initiative – Principles of Disclosure	Discussion Paper <i>Towards a Disclosure Framework for the Notes</i> (2012) jointly with ANC and FRC.
	Dynamic Risk Management	
	Equity Method	Short Discussion Series <i>The Equity Method: a measurement basis or one-line consolidation?</i> (2014).
	Financial Instruments with characteristics of Equity	Discussion Paper <i>Classification of Claims</i> (2014).
Inactive	Extractive Activities/Intangible Assets/ Research and Development (R&D)	
	Foreign Currency Translation	
	High Inflation	



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