

EFRAG SECRETARIAT PAPER FOR PUBLIC MEETING

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IASB work plan and impact on EFRAG

Objective

- 1 The objective of the session is to illustrate the work plan developed by the IASB following its Agenda consultation for 2017-2021 and how it may affect the EFRAG work programme.

Background

- 2 In April and May, the IASB discussed the feedback obtained from constituents on its Agenda consultation. The IASB decided to move its focus from transaction-specific Standards and concentrate on:
 - (a) maintaining the relevance of IFRS by improving the communication effectiveness of financial statements;
 - (b) implementation and the support of consistent application;
 - (c) enhancing consistency between individual Standards and the Conceptual Framework.
- 3 Moreover, the IASB:
 - (a) Committed to complete the Standard-level projects on Insurance Contracts, Conceptual Framework and Rate-regulated Activities;
 - (b) Agreed a Research program under which it identified projects that are active and a research pipeline. The projects in the research pipeline will be activated when resources are available, which the IASB expects to happen during the period 2017-2021;
 - (c) Decided to extend the consultation period to five years.

EFRAG prior recommendations

- 4 In relation to the Standard-level projects, EFRAG indicated that both the Conceptual Framework and the Insurance Contracts Standards were high priorities. EFRAG also recommended that, after completing the Conceptual Framework, the IASB should conduct an analysis of the existing Standards to identify any inconsistency with the principles in the new Framework. However, amendments to existing Standards to bring them in line with the Framework should be subject to public consultation and undertaken only if there is evidence that they do not work appropriately.
- 5 EFRAG also indicated that financial statement presentation (especially performance reporting) was very important. This is aligned to the IASB's decision to work on presentation and disclosure to improve the communication effectiveness of financial statements.

- 6 In relation to the level of support for implementation, EFRAG noted that greater consistency in application had high priority. However, having a strong system of quality control in the finalisation of the standards before publication is the best way to achieve this objective, rather than subsequent amendments and clarifications. EFRAG was concerned about frequent small changes and excessive level of detail in Standards. Standards should remain principle-based.
- 7 The following table compares the priorities assigned in the EFRAG comment letter for each of the projects to the IASB decisions. In substance, the IASB decisions are aligned to the EFRAG recommendations.

Project	EFRAG priority	IASB
	High/Medium/Low	Tentative work plan
Financial Instruments with Characteristics of Equity	High	Active project
Primary Financial Statements	High	Active project
Goodwill and Impairment	High	Active project
Definition of a business	Medium	Active project
Business Combinations under Common Control	Medium	Active project
Disclosure Initiative – Principles of Disclosure	High	Active project
Macro-hedge accounting (Dynamic Risk Management)	High - to move to active projects	Active project
Discount Rates	High	Completed – staff paper to be issued, no further activity expected
Share-based payments	Low	Completed – no action
Pollutant Pricing Mechanisms	Low	Research pipeline
Extractive Activities/Intangible Assets/ Research and Development (R&D)	Low	Project on extractive in research pipeline
		Project on Intangibles and R&D to be removed
Variable and contingent consideration	Not rated – not in the consultation document	Research pipeline

Project	EFRAG priority	IASB
	High/Medium/Low	Tentative work plan
Equity Method	High ¹	Will depend on PiR of IFRS 10
Provisions, Contingent Liabilities and Contingent Assets	Low	Will depend on completion of Conceptual Framework
Post-employment Benefits	Medium	Feasibility analysis of project on plans with promises that depends on returns
		General project to be removed
High Inflation	Remove from the agenda	Feasibility analysis on scope of application
		General project to be removed
Foreign Currency Translation	Remove from the agenda	To be removed
Income Taxes	Low	To be removed
IFRS 5 – Discontinued operations	Medium	PiR to be performed
SMEs that are subsidiaries	Not rated – not in the consultation document	Feasibility analysis

How does it impact the EFRAG work plan?

¹ Provided that the scope of the project is defined in accordance with EFRAG's proposals for the scope of the project presented at the December 2015 ASAF meeting. Any comprehensive reconsideration of the use of the equity method would be classified as very low.

2015 EFRAG Agenda consultation – summary of replies

- 8 Following the completion of the EFRAG Agenda consultation, the following were identified as active projects for the EFRAG proactive agenda. However, it was agreed that the plan would be kept flexible and revised regularly, and amended when deemed necessary:
- (a) Goodwill impairment and amortisation;
 - (b) Cash flow statements – Issues for financial institutions;
 - (c) Issues in discounting;
 - (d) Transactions with Governments;
 - (e) Pensions;
 - (f) Equity instruments – impairment and recycling.
- 9 EFRAG management had a recent meeting with representatives of the Korean Accounting Standards Board. Mutual interest was expressed in a project on Rate-regulated project, which could leverage on prior work performed by EFRAG in relation to the IASB Discussion Paper.
- 10 Other projects included in the consultation were not added to the Agenda based on the feedback received:
- (a) Remeasurement of liabilities with variable and contingent payments; and
 - (b) Additional work on the Conceptual Framework.
- 11 With the exception of Discount Rates, all projects that EFRAG rated as high or medium are on the IASB active agenda or will be investigated as part of a post-implementation review.
- 12 EFRAG Secretariat thinks that projects for which constituents have indicated low priority should not be added to the EFRAG proactive work plan, and the discussion at the IASB have not provided any indication of additional topics that are considered to be important or urgent for Europe. Therefore EFRAG Secretariat does not propose any change to the EFRAG proactive work plan and the list of topics indicated in paragraph 8.

Question to EFRAG Board

- 13 Do EFRAG Board agree that at this stage EFRAG does not need to amend its proactive work programme?
- 14 If you don't agree, which changes would you do and what is the basis for your suggestion?