

EFRAG
35 Square de Meeûs
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Belgium

31 August 2011

Via email: commentletters@efrag.org

Dear Sirs

Discussion paper – ‘Considering the Effects of Accounting Standards’

We welcome the opportunity to comment on the discussion paper issued by the European Financial Reporting Advisory Group (EFRAG) and the Accounting Standards Board (ASB) of the UK Financial Reporting Council (FRC) on ‘Considering the Effects of Accounting Standards (‘the DP’).

Set out below are our overall observations on the key issues and questions raised in the DP.

We agree there should be a systematic process for considering the effects of new or amended accounting standards which we believe will increase the transparency of the standard setting process.

However we are concerned that the DP does not provide a sufficiently practical and flexible approach for the effects analysis. In order to help stakeholders to understand more clearly how the effects analysis will improve standard setting due process, we suggest that a worked example of an effects analysis is prepared for review and comments.

We also believe that one of the important aspects of effects analysis should be a mechanism for more regular dialogue throughout the standard development process between the standard setter and preparers and users of financial information and other stakeholders. The mechanism should ensure that concerns raised by preparers and users of financial information and other stakeholders are carefully considered by the standard setter as they might highlight situations where, for example, the proposal has unintended consequences, where the proposal does not appear to provide decision useful information or the cost versus benefit has not been clearly addressed.

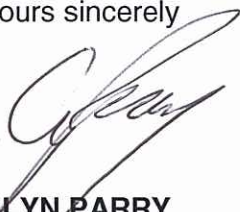
We accept that quantitative cost and benefit analysis is not always fully suitable for the accounting standards development process because some costs and benefits cannot be easily quantified. We however still believe that a framework should be established within the effects analysis methodology that identifies common costs and benefits of proposed new or amended standards. This would provide useful information about the balance between costs and benefits, both measured on a comparable basis, and it might therefore influence the final requirements of the new or amended standard.

Additionally, we are concerned that the effects analysis described in the DP, if implemented as proposed, will represent a significant resource burden for the IASB. This may result in delayed completion of new accounting standards or amendments of existing standards as the effects analysis might be prioritised over progressing the work on the accounting standards itself.

We welcome the proposal in the DP to involve national standard setters and similar institutions in the effects analysis. The national standard setters are best positioned to initiate a debate with preparers and users of financial information and other stakeholders in individual countries through, for example, focused outreach sessions. The outreach sessions could then generate a broader range of comments and suggestions and hence contribute to an improved standard setting process. Also, in that way, the effort and resource requirements linked to introduction of effects analysis could be shared among various standard setters or similar bodies.

We trust these comments are helpful. If you have any questions or would like to discuss these comments, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Glyn Parry', written in a cursive style.

GLYN PARRY
Director, Group Financial Control
BT Group PLC