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Mr Hans Hoogervorst, Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

28 December 2015

Dear Mr Hoogervorst,

On behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, we appreciate the opportunity to comment on the Request for Views (RFV) *2015 Agenda Consultation*.

Principal authors of this comment letter were Christian Gross, Erich Kandler, Helmut Kerschbaumer, Gerhard Prachner, Andreas Rauter and Alfred Wagenhofer. In order to assure a balanced Austrian view on the RFV, the professional background of these authors is diverse.

GENERAL REMARKS

We appreciate the opportunity to respond to the questions raised in the Request for Views. We have developed a list of criteria on which to base our assessment of the project priorities. Our criteria are built around the notion of relevance and classify the Board's projects into

- a) projects that should be addressed because of existing difficulties in applying standards,
- b) projects that are likely to close a regulatory gap in standards, and
- c) projects that may be addressed provided projects under (a) and (b) are well under way, and that time and budget constraints allow the Board to do so.

In addition to the above criteria that we have used to prioritise research and standards-level projects, we applied the relevance criterion both from an Austrian perspective and in focusing on current global trends. We also considered matters that regularly occupy enforcement bodies and are therefore discussed at the EECS level; many of these issues also regularly come up in preclearance cases and technical consultations. We also tried to include areas that occur in other major globally recognised accounting standards but are not addressed within IFRS (such as industry-specific standards at the broader level) in our prioritisation.

We have not addressed public or government accounting issues or other non-profit accounting standards, since we consider them to be outside of the current scope of the Board's standard-setting efforts. Hence, we support the focus on financial reporting of listed companies.

With respect to the major standards-level projects, we agree with other commentators, who have repeatedly asked the Board and its governing bodies to finalise current projects and after that to allow for a period of calm. This means that – as soon as the major standards-level projects on the current agenda are completed – only limited changes to existing standards should be made, in order to allow preparers, users, and other stakeholders to implement the new reporting requirements.

SPECIFIC REMARKS

THE BALANCE OF THE IASB'S PROJECTS

Question 1

The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;
- (b) its Standards-level programme;
- (c) the *Conceptual Framework*;
- (d) the Disclosure Initiative; and;
- (e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

We believe that both the research programme and the maintenance and implementation projects should have a stable and consistent level of resources allocated to them. Regarding the standards-level projects, we welcome prioritisation of the Disclosure Initiative – once the Conceptual Framework project has been completed. This appears to be a sensible way forward, given that more effective reporting (as, e.g., one of the objectives of the integrated reporting initiative) is likely to become more important, and as major stakeholders, particularly preparers of financial reports, strive for better structured disclosures. Finally, we believe that the Standards-level programme should be given less attention once the major standards-level projects on the current agenda, many of which date back to the memoranda of understanding with the FASB, are completed.

RESEARCH PROJECTS

Question 2

The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

- (a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.
- (b) remove from its research programme the projects on foreign currency translation (see paragraphs 39–41) and high inflation (see paragraphs 42–43)? Why or why not?
- (c) remove any other projects from its research programme?

Question 3

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

Among the research projects mentioned in the RFV, we suggest the following prioritisation. Since we think that a project's importance is, amongst others things, a function of its urgency, we do not use the importance/urgency-dichotomy mentioned in the RFV, but prioritise the projects from high to low:

high	– Disclosure Initiative (all projects) – Discount Rates – Goodwill and Impairment
high – medium	– Equity Method – Primary Financial Statements
medium	– Financial Instruments with Characteristics of Equity
medium – low	– Income Tax
low	– Business Combinations under Common Control – Definition of a Business – Provisions, Contingent Liabilities and Contingent Assets
no priority	all other projects

For all projects that we would prioritise as medium or higher, we give our rationale for determining the relevance we attach to them:

- **Disclosure Initiative:** Many constituents, particularly preparers of IFRS financial statements, criticise the IFRSs' extensive disclosure requirements. For other constituents, particularly users, the quantity of disclosures is less of an issue, but even these groups sometimes argue that disclosures and the structure of the notes could be improved. Since we think that a conceptual basis for disclosures could substantially improve the decision usefulness of IFRS financial reports, we suggest prioritising related projects on the research agenda.
- **Discount Rates:** Since many different interest rates are used within IFRSs and the differences do not seem to follow a clear rationale, we encourage the Board to reach a conclusion on whether objective or subjective interest rates, the latter including a premium for entity-specific credit risk, should be used, and under which circumstances. These criteria should then be consistently applied wherever possible. Also, we notice that with respect to discount rates and the question as to whether future cash flows should be discounted at all, differences between IFRS and other major accounting standards exist. Finally, we support giving guidance on how to deal with the current environment of low and even negative interest rates.
- **Goodwill and Impairment:** We consider it an important question whether goodwill should be amortised, or only whether only impairment should be recognised, and we refer to our comment letter to EFRAG's corresponding Discussion Paper from July 2014 (a copy of which is attached). In this response, we argue that goodwill (similar to almost all other assets)

should be amortised over a reasonable period of time, the latter being either its expected useful life or its payback period. We encourage the Board to reconsider this question because it has conceptual and practical issues that we strongly believe need to be addressed.

- **Equity Method:** We are concerned about the lack of a consistent conceptual basis for the equity method as it is currently used. In particular, it is still unclear whether the equity method is a measurement or a consolidation method. This issue also has implications for the current development of a revised Conceptual Framework.
- **Primary Financial Statements:** The fundamental question of how to best capture the financial performance of an entity is still open, even after the recently proposed Conceptual Framework revision. In particular, the role that the classification of revenues, gains, and expenses into the statement of profit or loss or into other comprehensive income plays for the performance reporting's decision usefulness needs be further explored.
- **Financial Instruments with Characteristics of Equity:** We particularly encourage the Board to investigate in depth the question of how to separate equity from liabilities.

In addition to the research projects mentioned in the RFV, we hear from several constituents that they would like to see a thorough analysis of accounting issues arising for grants related to investment activities.

Their number and complexity is tending to increase, and there is lack of transparency in the financial reporting for such grants.

Even though the post-implementation review of IFRS 8 has not brought up issues leading to a related research project, some constituents criticise the lack of verifiability regarding the concept applied in IFRS 8.

MAJOR PROJECTS

Question 4

Do you have any comments on the IASB's current work plan for major projects?

We strongly suggest that the new standard on insurance contracts should be finalised and implemented as soon as possible. Also, the work undertaken with respect to the Conceptual Framework should be finalised, as it is the basis for future standard setting efforts. We have heard from our constituents that dynamic risk management, rate regulated activities and the changes in accounting policies and estimates are of great importance.

As stated earlier, we believe that the Disclosure Initiative and in particular the principles of disclosures are very important. We also want to caution the Board about issuing practice statements, such as ED/2015/8 on materiality, because we are concerned that the standing of a practice statement within the hierarchy of IFRS is neither well defined nor understood. While we are sure that both accounting and disclosure materiality warrant a thorough discussion, we do not

believe that the current form of the project is particularly useful.

MAINTENANCE AND IMPLEMENTATION PROJECTS

Question 5

Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19–23 and 50–53)?

We believe that the Board should provide implementation support to meet stakeholders' demands, but that this guidance should primarily be limited to the time immediately following the standard-setting process itself. Only if there is a specific and widespread need by stakeholders for additional clarification, should implementation support also be provided at later stages. We are concerned that increasing implementation support may lead to a second layer of standard-setting, which could lead to IFRSs losing their principles-based focus.

LEVEL OF CHANGE

Question 6

Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

As already explained in our answer to Question 2, we think that a period of calm (after the Board has completed its major standards-level projects) is important, so that stakeholders have capacity and time to adapt to the newly introduced reporting requirements.

ANY OTHER COMMENTS

Question 7

Do you have any other comments on the IASB's work plan?

We have further comments:

- We encourage the Board to deal with the measurement of options on non-controlling interests in a subsidiary.
- We are concerned that potentially substantial changes could be proposed within maintenance projects (e.g., in ED/2015/4, which updates references to the newly proposed Conceptual Framework). We welcome a highly transparent process in relation to changes proposed in such projects, and to consequences arising from such changes.
- We suggest modifying the due process so as to allow the Board to introduce standards-level or maintenance projects after post-implementation reviews without requiring research projects first.
- The Board should take advantage of research activities of other institutions (such as

EFRAG) in a more thorough way in its own research efforts.

- The Board should reflect about processes dealing with FASB guidance on converged (or, partly converged) standards. If the FASB, e.g., issues guidance on revenue recognition in specific industries, will this guidance be relevant for preparers that use IFRS 15?
- We would encourage the Board to announce more prominently when research projects move from one phase to another, particularly if the move is to the list of inactive projects.

FREQUENCY OF AGENDA CONSULTATIONS

Question 8

Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?

While we see valid arguments for increasing the interval between agenda consultations, we note that the three-year period does not start until the previous agenda consultation has been finished. Given that the due process linked to each agenda consultation takes up to two years, de facto we are already pretty close to a five-year cycle, which we consider to be reasonable. Hence, officially changing the interval to five years is unnecessary.

Kind regards

Romuald Bertl
Chairman