



EFRAG RESEARCH AGENDA

Issued 5 June 2018

ICAEW welcomes the opportunity to comment on the EFRAG research agenda published by on 10 May 2018, a copy of which is available from this [link](#).

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MAJOR POINTS

EFRAG's role in the global debate

1. EFRAG has a valuable role to play in the global debate about international financial reporting standards. We therefore welcome this consultation on its future research agenda, which provides an opportunity to both reflect on the work carried out to date and to consider EFRAG's future plans. Our detailed comments on EFRAG's research process and on possible future research topics, are outlined below.

RESPONSES TO SPECIFIC QUESTIONS

Question 1.1:

Do you have any suggestions on how EFRAG could substantiate the influence of its research activities in general, and individual projects in particular, on the IASB's work?

2. Generally speaking, we believe that for EFRAG's research activities to influence the IASB they must have resonance globally, be open and objective, and be of high quality. While final decision-making must remain with the IASB, that does not mean that EFRAG's work is unable to influence the IASB's thinking through a well-planned and well-executed project, including laying out the view EFRAG has heard from European constituents.
3. Indeed, we believe that EFRAG has a vital role to play as an independent contributor to thinking about international financial reporting. For example, EFRAG might usefully explore aspects of a specific project that the IASB may be less inclined to investigate, provided that there was sufficient evidence to suggest that user and/or preparer needs are not likely to be addressed in the near future by the standard setter.
4. We also believe that the work carried out by EFRAG tends to be more useful (and effective) when individual projects are closely linked to forthcoming IASB projects or to the existing IASB research agenda. When approached in this way, EFRAG's work can helpfully set out the various alternative views as input to the IASB process.
5. That said, it is also important for EFRAG to first consider the demand for each individual project – including from users of the financial statements. Otherwise, there is a real risk that EFRAG will spend time and resources on projects that ultimately do not offer meaningful or practical solutions to current problems.

Question 1.2:

What is your assessment on the use of evidence by EFRAG in its recent Research? Do you have suggestions on how to improve it?

6. We are very supportive of the use of evidence by EFRAG in its research. There are of course challenges to obtaining good quality quantitative evidence on accounting matters, not least because of the difficulty of isolating the effects of a particular accounting treatment and/or a change in accounting treatment from other contributing factors. For this reason, we believe it is also important for EFRAG to also ensure it has a rigorous process in place to obtain good quality and balanced qualitative evidence during its research.

Question 2.1:

For each of the projects listed (see below), you are kindly required to provide our recommendation based on the following criteria:

- (a) Is the project topic an important or urgent matter to European constituents?***
- (b) Is the project likely to reach a useful conclusion in a reasonable time?***

(c) How would an EFRAG Research project interact with projects from other organisations, including (but not limited to) the IASB?

7. Of the potential research projects identified by EFRAG, we would prioritise the following:
- Cryptocurrencies** - we agree that there is uncertainty over the accounting for cryptocurrencies and that further research would be helpful. We note that several other organisations have also been considering cryptocurrencies (FASB, IOSCO, IASB) and that the Accounting Standards Board of Japan (ASBJ) recently issued guidance in this area. If EFRAG proceeds with this project, it might be helpful to consider the research already carried out by these organisations in order to avoid any unnecessary duplication.
- Variable and contingent payments** - we agree that this is an important project. However, we note that the IASB Board recently decided that it will be considering how broad its own research project on this subject should be. It might be advisable for EFRAG to await the outcome of the IASB's analysis before planning any further research in this area.
8. While we agree that a research project looking at how to improve information on **intangible assets** would be helpful, this is an area that has already been subject to considerable research. That is not to say that it should not be considered, but it will be important not to cover old ground, perhaps exploring more innovative thinking in this area. We would also suggest that EFRAG considers if, or how, this subject might be considered as part of the IASB's upcoming project to update its Practice Statement Management Commentary.
9. We do not consider the project on **derecognition** to be a priority. Equally while a project on **transaction-related costs** would be helpful, we do not consider it a priority.

Question 2.2:

Are there other topics that you advise EFRAG to add to its Research agenda? If so, please provide a description of the topic and what the objective of an EFRAG Research project should be.

10. In our view, **discount rates** are generally not well-understood. Therefore, we believe there is scope for a large project, cutting across standards, which considers if/how there could be greater internal consistency between the standards. Such a project could look at the differences in discount rates and the effects of those differences, and the accounting for and presentation of changes in discount rates. In addition we believe there continues to be a need for a project to address the lack of an **extractives industries** international reporting standard.