

DRAFT LETTER TO THE IASB

EFRAG's deadline for comments is 30 November 2015 and comments are to be submitted to CommentLetters@efrag.org

[date] December 2015

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam,

Re: Request for Views 2015 Agenda Consultation

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on and give input to the *Request for Views 2015 Agenda Consultation (RfV)*.

As you well know EFRAG identifies as the main priority the completion of the Insurance Contract Standard including proper effect analysis and field testing so that the endorsement process in Europe can start in 2016. It is also fundamental that the new Conceptual Framework is revised in a way that meets the objectives of the revision and that significant progress on the Disclosure Initiative and Dynamic Risk Management projects is made.

In relation to IASB's Research activities, EFRAG is pleased that the IASB has adopted and implemented the evidence based standard setting approach we recommended in response to the 2011 Agenda Consultation. However we lack visibility and understanding of the objectives the IASB pursues with its research programme and on the type of problem each project aims at solving. Providing a classification by identification of the main goal for each project would be a useful step forward. Appendix A to this letter includes EFRAG's assessment of the priority for each project on the research programme and the reasons thereof based on our suggested classification.

Furthermore, in EFRAG's view, Post-implementation Reviews should now be regarded as a useful tool in IASB's Research activities, helping identify what works and what is in need for improvement in current practice, regardless of the date at which a standard has been issued. Standards who keep IFRIC busy with many interpretation or clarification requests tend to qualify as candidates for Post-Implementation Reviews. At the time a Post-Implementation Review is completed, the IASB should communicate on its action plan to provide improvement where needed and discuss the level of priority the related standard setting efforts should receive.

Also EFRAG believes that the IASB in its research activities should build on the work of other organisations and create synergies. Leveraging on the substantial work of EFRAG and other regional and national accounting standards bodies related to standard level and research projects and also on topics not on the IASB current agenda would allow the IASB to move faster. More generally, EFRAG encourages the IASB to ensure that the research programme is progressed more quickly and is managed in a very dynamic way, allowing

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the IASB to determine due process steps depending on facts and circumstances, rather than having to comply systematically with pre-determined steps.

EFRAG generally agrees with the criteria to prioritise the projects and allocate resources, but believes that the IASB needs to better communicate how it applies these criteria in practice in defining its work plan. An explanation of how the IASB assesses and reconsiders priorities would be helpful.

Finally, whilst we are great supporters of IASB's maintenance activities, considering that they should be effective in supporting proper implementation of IFRS, we would advise to gauge carefully the level of change they generate in terms of cost-benefit and comparability vs consistency-over-time trade-offs. We are of the view that those trade-offs are not sufficiently positive at present.

If you would like to discuss our comments further, please do not hesitate to contact Filippo Poli, Saskia Slomp or me.

Yours sincerely,

Roger Marshall
Acting President of the EFRAG Board

APPENDIX

EFrag's responses to the questions raised in the RfV

The balance of 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?

Notes to constituents

- 1 *The projects on IASB's work plan are classified into three main categories reflecting the three main phases of standard-setting activity: research projects; Standards-level projects; and maintenance and implementation projects. The research programme was introduced in response to the 2011 Agenda Consultation.*
- 2 *The purpose of the research programme is to analyse possible financial reporting problems by collecting evidence on the nature and extent of perceived shortcomings and assessing potential ways to improve financial reporting or to remedy a deficiency. The main output of the research programme is the publication of Discussion Papers and Research Papers for public comment. The analysis in those papers, together with the comments from interested parties, will help the IASB to decide whether it should start a Standards-level project. Not all research leads to a Standards-level project.*
- 3 *A Standards-level project is a project that develops a new Standard or substantially amends an existing Standard. The IASB will start a Standards-level project only when it has sufficient evidence that the problem is defined properly and that the staff have identified possible solutions that are of high quality and are implementable. Before adding a major project to the Standards-level programme, the IASB normally publishes a Discussion Paper and considers the comments received.*
- 4 *Maintenance and implementation projects are projects to make minor amendments to existing Standards (narrow-scope amendments and annual improvements) or to issue formal Interpretations of existing Standards; and Post-implementation Reviews (PiR), which in some cases may lead to a research project, a narrow-scope amendment or even a Standards-level project. Many of the maintenance and implementation projects result from submissions to the IFRS Interpretations Committee.*
- 5 *In its work plan from 31 July onwards the IASB identified five categories of projects it expects to work on (three categories correspond to the three phases of standard setting activity, the other two include cross cutting projects that are so significant that they justify separate mention):*

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Category	IASB's expectation of the amount of resources to be allocated in future
Research projects	Increase, because of the expansion of the research programme.
Standards-level projects	No overall change.
<i>Conceptual Framework</i>	Significant decrease from 2017, when the <i>Conceptual Framework</i> project is expected to be completed.
Disclosure Initiative	Possibly some reduction towards the end of the period as individual projects are completed.
Maintenance and Implementation projects	No overall change

- 6 *The IASB assesses that its current and planned resources will be sufficient to carry out its current work plan. They note that, if the IASB were to raise its level of activities significantly above the level of the current work plan, its stakeholders would not have sufficient capacity to consider the IASB proposals, to provide high-quality feedback on the proposals and to implement the changes that result from those proposals. Accordingly, if the IASB focusses more on one aspect of its activities, it will need to focus less on another aspect of its activities.*
- 7 *In prioritizing individual projects on its work plan and allocating resources to them, the IASB considers various factors including:*
- (a) *the importance of the matter to those who use financial reports;*
 - (b) *the urgency of the problem to be resolved;*
 - (c) *interactions with other current or possible projects;*
 - (d) *the complexity and breadth of the problem to be resolved, and the feasibility of possible solutions being developed;*
 - (e) *the capacity of stakeholders to respond to proposals, both as individual proposals and across the work plan as a whole;*
 - (f) *the overall balance of the work plan and the overall balance in the pipeline of research projects that may ultimately come forward to the Standards-level programme; and*
 - (g) *the availability of sufficient time from IASB members and of staff resources*

EFRAG's response

EFRAG agrees with the factors identified by the IASB for prioritisation in its work plan; however the IASB needs to better communicate on how they are applied in practice.

Finalisation of the Insurance Standard should be of the highest priority. The Conceptual Framework and the Disclosure Initiative are also fundamental.

The IASB should build on the work done by other organisations and create synergies, notably with members in ASAF.

Factors used in prioritisation of projects and allocation of resources

- 8 EFRAG welcomes the evidence based standard setting approach that the IASB has adopted in line with our prior recommendations in relation to the 2011 Agenda Consultation.
- 9 EFRAG in general agrees with the factors indicated in paragraph 55 of the RfV to identify priorities, but notes that sometimes it is not clear how the IASB applies them in defining its work plan. For instance, when the IASB decided to reinstate the equity method or issue IFRS 14 (the interim Standard on Rate-regulated activities) it is not clear how the IASB assessed the widespread relevance of those issues. While EFRAG does not advocate the introduction of a formalised assessment, an explanation of how the IASB assesses and reconsiders priorities would be helpful.

Priorities in IASB's work plan

- 10 The IASB identifies in paragraph 30 of the RfV three categories of projects and separately mentions two cross-cutting projects, Conceptual Framework and Disclosure Initiative which are of a different nature than the three categories. It would be useful if the IASB clarified better the interaction between these two cross-cutting projects with the three main categories.
- 11 In terms of priorities, EFRAG believes that:
 - (a) the main priority is to bring to completion the Insurance Contracts project, including proper effect analysis and field testing¹;
 - (b) it is fundamental to finalise the new Conceptual Framework in a way that meets the objectives of the revision and plan next steps, would further development require more time and effort;
 - (c) The Disclosure Initiative has high priority for us. In 2012, EFRAG published jointly with the ANC and FRC the Discussion Paper *Towards a Disclosure Framework for the Notes*. As indicated in the RfV paragraph 48 the 2011 Agenda Consultation stressed the importance of having a clear, effective, coherent and comprehensive but concise package of disclosure requirements. EFRAG regrets that so far only small amendments to standards have been made whereas the main project has not yet reached standards level stage;
 - (d) Users have called at several occasions for progress on financial statement presentation – now called primary financial statements. We are concerned to see that the project is still in assessment stage in the research programme, which indicates that no substantial progress has been made on the project since the 2011 Agenda Consultation.
- 12 We recommend that the IASB, after completing the Conceptual Framework, identify what requirements in existing Standards are inconsistent with the new Framework and assess how to prioritise, if at all, remedying to these inconsistencies. This would be subject to public consultation, as an addendum to the current public consultation, if serious candidates for Research or active projects were to emerge.

¹ We assume that by the closing of the 2015 Agenda Consultation the Leasing Standard has been published or is about to be published.

IASB agenda consultation

- 13 We note that the Agenda Consultation is one source of input used to determine the IASB work plan. Other sources are the submissions to the IFRS Interpretations Committee, PiR and *ad hoc* sources. Also bodies like the IFRS Advisory Council and ASAF are at present involved in advising on priorities. EFRAG believes that in between agenda consultations, where needed, the IASB should have the possibility to make significant changes to its work plan, notably its research agenda, and provide transparency on these changes. This would, in EFRAG's view, provide the necessary flexibility to allow the IASB manage its active agenda dynamically and more effectively.

Standard-level projects

- 14 EFRAG appreciates the efforts made by the IASB to enhance its responsiveness to constituents. While this has resulted in the IASB Board taking more time to complete some of its main projects, compared to the original timetable, additional consultation improves the quality of the final Standards.
- 15 For Standard-level projects, EFRAG believes that the chances to complete a project successfully within a reasonable time frame are strongly enhanced if the main issues raised by constituents in the early stages are timely addressed. It is therefore crucial to carefully analyse the input received and address the concerns expressed, to avoid the need of re-debating issues at later stages. Had this been the case, one Exposure Draft on Leases might have been sufficient and IFRS 9 *Financial Instruments* classification and measurement would not have been reopened.

Integrating the work of other accounting standard bodies and organisations

- 16 We believe that the IASB, especially when performing accounting research, should build on the work of other organisations and create synergies, notably with members in ASAF (including previous member and likely future members). EFRAG and other regional and national accounting standards bodies have undertaken substantial work related to standard level projects and projects on the IASB research programme and also on topics not on the IASB current agenda. Leveraging on this work would allow the IASB to move faster notably on the research projects. We note that the FASB who cooperated with EFRAG and its partners in 2011 now works on the disclosure framework at standard level whereas the IASB is still at research project stage.
- 17 We have heard that the IASB is currently considering how to improve its processes in this area and stand ready to support and help implementing new ways of working in cooperation in a manner that keeps the independence of all parties involved intact and allows every party to meet its own objectives.

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.

Notes to constituents

- 18 The following table summarises the IASB research programme as at 31 July 2015 (details can be found in appendix A of the RfV). EFRAG has undertaken, jointly with National Standard Setters proactive work in several of these areas which has been added to the IASB table.

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 'Should Goodwill still not be Amortised? - Accounting and Disclosure for Goodwill' by Research Group of ASBJ ² , EFRAG and OIC. Proactive work ongoing.

² Accounting Standards Board of Japan

IASB agenda consultation

Project stage	Project	EFRAG activities
	Income Taxes	Discussion Paper <i>Improving the Financial Reporting of Income Tax</i> (2011), jointly with ASB ³ .
	Pollutant Pricing Mechanisms (formerly Emission Trading Schemes)	Comment Paper on <i>Emissions Trading Schemes</i> (2012 ⁴).
	Post-employment Benefits (including Pensions)	Current project in pre-research phase ⁵ .
	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> (2013) jointly with ANC and FRC and Bulletin <i>The role of the Business Model in Financial Statements</i> (2013)
	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).

³ The UK accounting standard setter, now FRC

⁴ Analysis started on the basis of the ANC paper *Accounting of GHG Emissions Rights Reflecting Companies' Business Model* (2012)

⁵ 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
Inactive	Extractive Activities/Intangible Assets/ Research and Development (R&D)	
	Foreign Currency Translation	
	High Inflation	

- 19 *A broad scope project could be added on IFRS 5 Non-current Assets Held for Sale and Discontinued Operations following the Agenda Consultation (para 33 IASB RfV).*
- 20 *Assessment-stage research projects are undertaken to identify and assess practical application issues in order to understand whether there is a financial reporting problem and to consider what further action, if any, is needed. Once the assessment stage is complete, the project will typically either move into the development stage, be suspended or be removed from the research programme. For development-stage research projects, the IASB has completed the preliminary assessment and decided that the project warrants further investigation. The main focus of development-stage projects will be assessing whether the IASB can identify a solution to the financial reporting problem and describing what form that solution is likely to take.*
- 21 *In relation to accounting research, EFRAG reminds its constituents that EFRAG is simultaneously conducting its own Proactive Work Agenda Consultation. Constituents are encouraged to consult the EFRAG 2015 Agenda Consultation [here](#).*

EFRAG's response

EFRAG is of the opinion that the IASB should better communicate on the objective it pursues with its research programme and on the type of problem each project aims at solving (such as changes in economic conditions or business patterns (emerging issues), improvements in practice, elimination of inconsistencies across standards to deal with cross-cutting issues, voids in IFRS and lack of guidance and deficiencies identified in PIRs and presentation issues).

EFRAG encourages the IASB to ensure that the research programme is progressed more quickly and has suggested a prioritisation for the projects. More visibility on how research projects move from one stage to another would be welcomed.

EFRAG is of the opinion that the findings of PiR should provide direct input in the standard-setting agenda and welcomes clear communication on the decisions impacting on the IASB work plan.

- 22 *EFRAG is of the opinion that the IASB should better communicate on the objective it pursues with its research projects and on the type of problem each project aims at solving. The IASB is providing a list of research projects without classification based on underlying common denominators for projects. EFRAG believes that there is a need for greater visibility and understanding of the projects in the IASB research programme.*

- 23 Providing a classification by identification of the main goal for each project (for example: to address changes in economic conditions or business patterns, emerging issues; to bring improvements that practice has highlighted are needed; to eliminate inconsistencies across standards; to address lack of guidance in IFRS requirements, presentation issues and deficiencies identified in PIRs) would be a useful step forward. Introducing such a classification would provide a basis for considering how to identify the more urgent or critical projects. We believe projects related to changes in economic conditions or business patterns should be higher in the priority ranking than other projects.
- 24 We have indicated in Appendix A to this letter our rating for each project on the research programme and the reason thereof based on our suggested classification.
- 25 We encourage the IASB to ensure that the research programme is progressed more quickly. Projects should move from assessment phase to development phase and then into a Standard levels project without waiting for the next agenda consultation. This would ensure a greater efficiency and better responsiveness. Also the IASB should be very flexible in its approach to best adapt to the difficulties it tackles and the conclusions it reaches; for example, some Research projects may start at development stage and may result directly in an Exposure Draft without the need for a Discussion Paper.
- 26 EFRAG observes that there is a lack of visibility at present about how Research projects move to from one stage to another or if some of these projects are stopped during the assessment phase without appearing in the work plan. There is lack of reporting on the amount of progress, constraints or reasons for the progress or the allocated resources and their adequacy. The main source of information is at the time when projects are brought to the IASB Board for consideration. We advise to include a formal publication/communication step to inform the public that a research project is stopped. However providing transparency should not restrict the dynamic management and progress of research projects.
- 27 Furthermore we believe that the line between what is an active project and what is an inactive project is blurred. According to the 2013 IASB and IFRS Interpretation Committee *Due Process Handbook*, when the IASB is considering adding projects for either new standards or major amendments to standards to its programme it presents its proposals for these projects to the IFRS Advisory Council (para 3.53). By calling a project “research project in development phase”, the question is as of when would the IFRS Advisory Council advise the IASB to take the project on its active agenda. Some of the projects like Disclosure Initiative and Dynamic Risk Management are clearly active and would not need further advice of the IFRS Advisory Council.
- 28 Finally feedback statements on Post-Implementation Reviews should include the IASB’s decisions of what the next steps are: do nothing, prepare amendments, start research activities. We note that the IASB has progressed on amendments to IFRS 8 *Operating Segments* that result from the related PIR without having communicated that it would do so. The PiR of IFRS 3 *Business Combinations* was concluded with a list of issues that required the IASB’s attention. We question if it is appropriate that for most of the issues identified no action would be taken until further evidence would be obtained from the 2015 Agenda Consultation. However, these issues have not been separately mentioned in the RfV so they may not get attention from constituents.

Questions to constituents:

- 29 **Which projects in the IASB research programme are particularly relevant for Europe?**
- 30 **In Appendix A EFRAG has classified and prioritised the research projects. In a number of cases different views were held on the level of priority. We are seeking in particular your views on the prioritisation of these projects in addition to your prioritisation of the projects where they differ from the EFRAG prioritisation.**
- 31 **EFRAG published in 2014 a Discussion Paper on Separate Financial Statements jointly with DASB, OIC and ICAC. In your view, what priority should the IASB give to this topic in its research programme?**

The role of Post-implementation Reviews

Notes to constituents

- 32 *The IASB is required according its Due Process Handbook to conduct a PiR of each new Standard or major amendment. A PiR normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date (para 6.52)*
- 33 EFRAG is of the opinion that the findings of PiR should provide direct input in the standard-setting agenda. Constituents use time and resources to provide their input to these reviews and it is important that the IASB shows to be responsive and address promptly the concerns raised. We question why some of the issues identified (such as for instance how to distinguish the acquisition of a business from the acquisition of a group of assets) still need to always go through a research phase and why the PiR process could never be considered to provide evidence sufficiently conclusive to move directly to standard-setting activity.
- 34 In any case, we recommend that the IASB communicates clearly their decisions in relation to the topics and the process – further research or direct standard-setting activity - selected to deal with them.
- 35 EFRAG is of the view that PiR are useful ways of gathering evidence for its evidence based standard setting activity and represent a useful approach to research. EFRAG believes that IASB should consider to conduct PiR beyond what is strictly required in its Due Process Handbook. It would have been useful to include in the RfV a specific question on what standards should be subject to a PiR; EFRAG believes for instance that the IASB should consider it for IFRS 2 *Share-based Payments* or IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, given the evidence that the standards are raising multiple issues in practice.

Question to constituents:

- 36 **Do you agree that PiR are a useful Research tool, and not a mere due process obligation?**
- 37 **If so, what standards, either old or recently published, do you believe should be subject to a PiR and why?**

Major projects**Question 4**

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

Notes to constituents

- 38 *The IASB has several types of major projects: projects on the Standards-level programme to develop new Standards or substantially amend an existing Standard (ie excluding maintenance and implementation projects); major research projects - research projects that have reached a stage at which the staff require significant input from the IASB; the project on the Conceptual Framework; and the Disclosure Initiative. The major projects as at 31 July 2015 were:*

Due process stage	Project
Upcoming standards	Insurance Contracts
	Leasing
Published Exposure Draft	<i>Conceptual Framework</i>
Upcoming Exposure Drafts	Disclosure Initiative – Changes in Accounting Policies and Estimates
	Disclosure Initiative – Materiality Practice Statement
Published Discussion Papers	Dynamic Risk Management
	Rate-regulated Activities
Upcoming Discussion Paper	Disclosure Initiative- Principles of Disclosure

EFRAG's response

EFRAG believes that it is urgent to finalise the Insurance Contracts project. It is also fundamental that the Conceptual Framework is revised in a way that meets the objectives of the revision. EFRAG also urges the IASB to make progress on the Disclosure Initiative and the Dynamic Risk Management projects.

- 39 We refer to our response to question 1.

*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)?

EFRAG's response

EFRAG believes that the number of interpretations is meeting the stakeholders' needs but believes that there are too many small changes to standards as part of the narrow scope amendments. The IASB should improve its system of quality control in finalisation of standards.

- 40 EFRAG believes that achieving greater consistency in application has high priority. We are persuaded that having a strong system of quality control in the finalisation of the standards before publication is the best way to achieve this objective and can contribute to reduce the need for subsequent amendments and clarifications. This is why EFRAG at several occasions asked the IASB to improve its system of quality control and has stressed the importance of public reviews and field testing.
- 41 The use of subsequent amendments to address lack of clarity is not only cumbersome for preparers, who need to deal with continuous changes; but also risks to lead to uniformity rather than to increased comparability and result in a rule-based approach. When many application issues arise, this is a sign that the IASB Board may need to reconsider the basic principles in the Standard, rather than trying to fix the issues on a piecemeal approach. One recent example concerns the equity method, in relation to which the IASB – after discussing a number of possible narrow scope amendments for specific transactions – has decided that a broader discussion was needed on the accounting for associates in IAS 28 *Investments in Associates and joint Ventures*. We believe that before embarking on narrow scope amendments it would be helpful if the IASB would seek the advice of ASAF.
- 42 Submissions to the IFRS Interpretation Committee are an important source of input about the existence of possible application issues. EFRAG acknowledges that not all submissions can be addressed at an interpretation level and some of them can only be solved at a Standard level. However, EFRAG is concerned that sometimes submissions are debated for a long time without final solution. EFRAG recommends to the IASB to maximise its efforts to provide, when possible, solutions to these issues in a timely way.

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?

EFRAG's response

EFRAG is of the opinion that it would have been beneficial if major projects could be finished earlier but appreciates that there are uncertainties and external factors the IASB cannot control. We recommend the IASB evaluates the effectiveness of its project work.

EFRAG is concerned about frequent small changes to standards and believes that IFRS should maintain their principles-based approach without developing too detailed guidance.

- 43 EFRAG believes it may be beneficial if the IASB was undertaking an evaluation of its project work for the main past projects and identify to what extent delays are caused by broadened consultation with constituents (that EFRAG welcomes) or by inefficiencies. In this way ameliorations to the process can be identified that could improve the pace of delivery.
- 44 The four main projects identified in the 2011 Agenda Consultation faced substantial delays in completion. EFRAG and many other constituents of the IASB felt that the comments and feedback they provided on the Discussion Papers for these projects have not sufficiently been taken into account in the development of the first Exposure Drafts. It would be helpful if the IASB were to examine and evaluate the effectiveness of the due process steps between 2007 and 2011 of these projects and more in particular why for several of these projects subsequent exposure drafts were needed.
- 45 Regularly concerns are expressed to us by our constituents on the length of the standards and the level of detailed guidance of standards. We appreciate that comprehensive guidance assists in consistent application and the avoidance of divergent practices. We believe that for any guidance that complements principles-based standards, it is essential to keep it aligned with the underlying principles (we refer to IFRS 2 *Share-based Payments* as an example for which the guidance has become cumbersome in that it provides rules that are not coherent with the principles in the standard). We note and welcome the link that has been established in IFRS 15 *Revenue from Contracts with Customers* between the application guidance and the main principles, subordinating the guidance to well identified principles.
- 46 In addition there is concern about the relatively large number of small amendments, also shortly after the finalisation and publication of standards as indicated in our response to question 5.

Any other comments

Question 7

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

EFRAG's response

EFRAG believes it is important to understand when the FASB issues interpretations or guidance on issues in converged standards that are not addressed by the IASB if the IASB considers those pronouncements to be compatible with its own guidance

- 47 EFRAG considers that it is important that the IASB maintains a close monitoring of the maintenance and implementation projects of the FASB in relation to those Standards that are converged. EFRAG encourages the IASB to hold joint deliberations on those projects with the FASB.
- 48 Furthermore, when the FASB issues interpretations or guidance on issues that are not addressed by the IASB, IFRS preparers may decide to use that guidance. It would be important to understand if the IASB considers those pronouncements to be compatible with its own guidance. This could be achieved by a periodic update of the parts of the Basis for Conclusions where the Board illustrates the similarities and differences with US GAAP.
- 49 In this respect, EFRAG notes that following the widespread adoption of IFRS in most jurisdictions, the IASB should reconsider the relevance of the current hierarchy in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The suggestion to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards needs to be removed so that constituents would not automatically assume that any US GAAP guidance is relevant for IFRS compliant standards.

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?

Notes to constituents

- 50 *The IASB is required to carry out a public Agenda Consultation every three years. It usually takes longer than three years, however, to complete a major research project and then a subsequent major Standards-level project. Thus, some feel that consulting on the IASB's agenda every three years is excessive. They suggest that five or even seven years would be a more realistic interval between Agenda Consultation cycles. Others think that a three-year cycle is appropriate to provide the IASB with timely input on changes that might need to affect its agenda-setting strategies and priorities.*

EFRAG's response

EFRAG believes that the IASB should continue with a tri-annual agenda consultation cycle since this in practice means that there is almost five years between the starts of consecutive agenda consultations. EFRAG underlines that having a tri-annual indication of support for its work plan would assist the IASB in rendering accountability to the public at large and to those that provide the finance of the IFRS Foundation

- 51 EFRAG observes that in reality the present agenda consultation cycle is closer to five years than to three years. The previous agenda consultation was launched in July 2011 with a feedback statement published in December 2012. So the 2015 consultation issued in August 2015 is launched more than four years after the launch of previous consultation. Moving to a five year's cycle may in practice mean that the time between two agenda consultations will be close to seven years.
- 52 As indicated in our response to question 1 EFRAG believes that in between agenda consultations the IASB should have the possibility to make significant changes to its work plan and provide transparency on these changes. Requests for such changes could also be made by constituents
- 53 However EFRAG sees an additional function for the agenda consultation. The tri-annual agenda consultation gives the IASB the opportunity to seek the views of the public at large on its work plan and agenda. It gives an indication of the support of the current work plan and its prioritisation. It provides the IASB with the opportunity to change its prioritisation if needed.
- 54 Seeking a frequency that is closer to the terms of major projects we believe is in this respect not relevant as it would not allow for this health check that the IASB's activities remain in tune with priorities identified by constituents.
- 55 Having a triannual indication of support for its work plan would assist the IASB in rendering accountability to the public at large and to those that provide the finance of the IFRS Foundation.

APPENDIX A

EFRAG suggestion for classification and prioritisation of the IASB research projects

Questions to constituents (as included in the main text):

- 29 Which projects in the IASB research programme are particularly relevant for Europe?
- 30 Below EFRAG has classified and prioritised the research projects. In a number of cases different views were held on the level of priority. We are seeking in particular your views on the prioritisation of these projects in addition to your prioritisation of the projects if differently from the EFRAG prioritisation?

EFRAG classification	Project	EFRAG activities	EFRAG priority <i>High/Medium/Low/Very Low</i>	EFRAG assessment
<i>Changes in economic conditions or business patterns (emerging issues)</i>	Financial Instruments with Characteristics of Equity	Discussion Paper <i>Classification of Claims</i> (2014).	High	The matter is both important and urgent, in particular since the financial crisis new financial instruments have been developed that create new accounting difficulties, and also because a certain number of issues have been in need for an appropriate response for many years. While the topic is certainly complex, both the IASB and other bodies have performed research on the topic that can be deemed helpful in progressing the project. In line with EFRAG's recommendation this project should best inform the possible revision of equity and liability definitions/description in the Conceptual Framework.

EFRAG classification	Project	EFRAG activities	EFRAG priority <i>High/Medium/Low/Very Low</i>	EFRAG assessment
	Post-employment Benefits (including Pensions)	PAAinE ⁶ Discussion Paper <i>The Financial Reporting of Pensions</i> (2008). EFRAG current project in pre-research phase.	Medium	The matter is important for those jurisdictions that have plans with hybrid characteristics, which may not have existed when IAS 19 was originally developed. The solutions developed for the Insurance Contracts project could provide a basis to develop a feasible solution.
Improvements in practice	Income Taxes	Discussion Paper <i>Improving the Financial Reporting of Income</i>		Given the conceptual flaws in IAS 12 that EFRAG and ASB Discussion Paper have contributed to put in evidence, the standard is deemed in need for overhaul. As a result EFRAG supports a Research project on Income tax. However EFRAG has learned from its earlier consultation on the issue that IAS 12 is deemed to work in practice and that there is no urgency to supersede it. Consequently EFRAG recommends that the IASB undertakes a Research project that can be progressed as a long-term project.
	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).	Medium	Concerns around IFRIC 21 show that there is some urgency for a number of liabilities. The solution of the concerns will depend on how the changes in the Conceptual Framework on the definition of a liability are implemented. Consequently the scope of the revision to IAS 37 would differ significantly from the prior proposed revision to the Standard

⁶ EFRAG, German standard setter DRSC, French Standard Setter CNC (now ANC), Italian Standard Setter OIC and UK standard setter ASB (now FRC)

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				and could valuably include all non-exchange transactions with government and other public authorities.
	IFRS 5 – Discontinued operations		Medium	A number of issues in relation to measurement, presentation and disclosure have been raised in relation to IFRS 5. The project should consider if a comprehensive review is required to address the issues. A first step could be a PiR.
	Share-based payments			IFRIC continues to receive submissions on IFRS 2, which shows that there are issues to solve. However, EFRAG thinks that the matter is not of high importance to European constituents. In any case, EFRAG believes that, if the IASB wants to perform any activity on the topic, the first step should be a PiR with a view to address the Standard on a comprehensive basis. Given the interrelation between the classification criteria and the equity/liability discussion, development of this project could be deferred until after the completion of the FICE project.
	Foreign Currency Translation		Very low	The project was meant to consider amending the guidance on foreign currency translation when there are significant rate fluctuations due to exceptional and temporary external shocks. This specific matter is not important to European constituents,
	High Inflation		Very low	Hyper-inflation is not a matter important to most of the European constituents although some European companies face high inflation in their activities outside Europe. Having said that, EFRAG believes that the IASB should after the revision of the Conceptual Framework, undertake a research project that would consider how to deal with price changes from a conceptual perspective.

EFRAG classification	Project	EFRAG activities	EFRAG priority <i>High/Medium/Low/Very Low</i>	EFRAG assessment
<p><i>Elimination of inconsistencies across standards to deal with cross cutting issues</i></p>	Discount Rates	<p>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. .</p>	<p>Medium</p>	<p>The current interest rate environment may have shown that there are issues to consider in relation to discounting. However, it is not clear if there are issues to address at Standards level.</p>
	Equity Method	<p>Short Discussion Series <i>The Equity Method: a measurement basis or one-line consolidation?</i> (2014).</p>	<p>High</p>	<p>The high level of submissions to the IFRIC on the application of the equity method and the divergence in practice that they reflect, together with the recently expanded use of the equity method (IFRS 11, equity method in separate financial statements) justify a high level of priority.</p> <p>However EFRAG does not support the current course of action adopted by the IASB in its research activities. EFRAG supports one single stream of work that would determine a principle-based approach to the resolution of the difficulties encountered in the application of the equity method, and remain consistent with the information content of the equity method.</p>

EFRAG classification	Project	EFRAG activities	EFRAG priority <i>High/Medium/Low/Very Low</i>	EFRAG assessment
<i>Voids in IFRS requirements and lack of guidance</i>	Pollutant Pricing Mechanisms (formerly Emission Trading Schemes)	Comment Paper on <i>Emissions Trading Schemes</i> (2012 ⁷).	Medium	<p>The project satisfies the criteria of importance of the matter. These schemes are growing in importance, and stricter limits may apply in future. They bring assets and liabilities with specific features that require specific requirements.</p> <p>However, European preparers have now long-established accounting policies for emission trading schemes. It is therefore questionable if the matter is urgent. In its research phase, the IASB should investigate if there is sufficient divergence and evidence of the impact to justify action.</p>
	Business Combinations under Common Control	Discussion Paper <i>Accounting for Business Combinations Under Common Control</i> (2011), jointly with OIC.	Medium	<p>This is an important matter for jurisdictions where IFRS apply to individual accounts. Also, the issue of the accounting treatment for these transactions often applies in initial public offerings.</p> <p>Although filling the void of the current literature would be beneficial (EFRAG and the OIC have developed proactive activities on the issue), the project is rated medium, considering the relative prioritisation with other projects having more pervasive and significant impacts.</p>
	Disclosure Initiative – Principles of Disclosure	Discussion Paper <i>Towards a Disclosure Framework for the Notes</i> (2012) jointly with ANC and FRC.	High	<p>This is both an important and urgent matter. Complaints have been consistently raised that disclosures may be at the same time not informative enough for users and cumbersome for preparers. EFRAG rated this project high priority in 2011. EFRAG regrets that so far only small amendments to standards have been made whereas the main project has not</p>

⁷ Analysis started on the basis of the ANC paper *Accounting of GHG Emissions Rights Reflecting Companies' Business Model* (2012)

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				yet reached standards level stage and it is even unclear if it includes a full Framework for the Notes, as confirmed by discussions with constituents.
	Dynamic Risk Management		High	This matter is a key component to complete the Financial Instruments project and to remove the European carve-out. The objective is to provide a portfolio hedge accounting solution consistent with hedging strategies.
	Extractive Activities/Intangible Assets/ Research and Development (R&D)		Low	The combined project could be split in the three components.
Presentation issues	Primary Financial Statements (formerly Performance Reporting)	<p>Bulletin <i>Profit or Loss versus OCI</i> (July 2015) public consultation running till 26 October 2015.</p> <p>Short Discussion Series <i>The Statement of Cash Flows: issues for Financial Institutions</i> (2015).</p> <p>Research Paper <i>The role of the Business Model in Financial Statements</i> (2013) jointly with ANC and FRC and Bulletin <i>The role of the Business Model in Financial Statements</i> (2013)</p>	Different views – between High and Medium	<p>The matter is important and urgent. The proliferation of non GAAP measures shows that there is a perception that financial statements do not fully achieve the objective to report performance.</p> <p>Users have indicated that presentation of primary statement had been clearly indicated as a priority in the prior Agenda Consultation and remains in their view of high priority.</p> <p>EFRAG believes that the priority of the project depends in part on the depth of guidance on presentation that the IASB will ultimately include in the Conceptual Framework.</p>

EFRAG classification	Project	EFRAG activities	EFRAG priority <i>High/Medium/Low/Very Low</i>	EFRAG assessment
Deficiencies identified in PIRs	Goodwill and Impairment	Discussion Paper <i>'Should Goodwill still not be Amortised? - Accounting and Disclosure for Goodwill'</i> by Research Group of ASBJ ⁸ , EFRAG and OIC. Proactive work ongoing.	High (for impairment) Different views for amortisation	As shown by the input received from European constituents in the PiR of IFRS 3, this matter is both important and urgent. We recommend that the IASB proceed immediately to discuss the possible improvements in the impairment test for goodwill. Since more work and time may be needed on the amortisation issue, the project could be decoupled in two work streams. It should be clearly specified that the project does not intend to reconsider the initial recognition of goodwill as an asset.
	Definition of a business		Medium	EFRAG believes that the project should be in development stage given that evidence has already been obtained in the PiR.

⁸ Accounting Standards Board of Japan