



Response to EFRAG Bulletin:  
Getting a better framework  
COMPLEXITY

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## INTRODUCTION

ICAS welcomes the opportunity to comment on the EFRAG 'Getting a Better Framework' Bulletin: Complexity.

The ICAS Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Accounting Standards Committee has considered the Bulletin and I am pleased to forward their comments.

Any enquiries should be addressed to Amy Hutchinson, Assistant Director, Technical Policy.

## RESPONSE TO COMPLEXITY BULLETIN

We agree with EFRAG that complexity is an issue in financial reporting therefore find this paper useful in raising awareness. The charge of complexity is frequently levelled at financial statements and accounting standards and it is therefore worth examining the causes of complexity and whether these may be remedied.

ICAS is strongly committed to seeking to reduce complexity in financial reporting and has addressed the topic in a number of our reports and publications including '[Losing the Excess Baggage](#)' (looking specifically at financial statement disclosures) and '[Making Corporate Reports Readable](#)' (proposing a simplified corporate reporting format). Complexity can be detrimental to the quality of financial reporting as it can, intentionally or otherwise, obscure the key information and messages and negatively impact users' confidence in financial reporting.

This paper is therefore a welcome reminder of the problem of complexity and a challenge to the IASB in considering how they address the complexity of IFRSs going forward.

### **Do you think there should be explicit discussion of the different aspects of complexity in the Conceptual Framework?**

We agree that it may be helpful to include some wording on complexity within the Conceptual Framework. An important element in reducing complexity is the proper application of materiality in financial reporting – we note that this has not been addressed in EFRAG's paper, and believe that any discussion of complexity in the Conceptual Framework should be linked to materiality.

We also note that the EFRAG paper highlights a number of examples where the IASB has already taken action to address complexity in specific standards. We believe it would be useful for EFRAG to consider the practical steps that have already been taken by the IASB, such as changes to their due process and the introduction of effect studies, and determine whether and how these have impacted upon complexity of standards.

### **Are there any aspects of complexity in accounting not covered by this Bulletin that should be covered?**

One important aspect of complexity that we feel is not fully addressed in the Bulletin is the complexity related to disclosures – both in the setting of disclosure requirements and in the interpretation and application of disclosure requirements by preparers and others. This problem is explored in the ICAS/NZICA publication 'Losing the excess baggage' and we note that the IASB is now addressing some of these issues through its disclosure initiative.

We also believe there is a further element of complexity which relates to the application and interpretation of IASB standards in different jurisdictions across the world. We believe that the concept of judgement is understood and applied to different degrees within different cultures, and that

as a result standards may become increasingly detailed and complex, as guidance is requested on specific transactions. ICAS has published 'A Professional Judgement Framework for Financial Reporting' with the aim of providing consistent guidance for preparers, auditors and regulators on how to make and review judgements. The proper application of professional judgement is a crucial element in an effective principles-based financial reporting environment, and therefore contributes to the reduction of complexity.