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EFRAG
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Our ref : EFRAG - MK
Direct dial : (+31) 20 301 0391
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Date : Amsterdam, 25 November 2011
Re : Comment on 'Request for Views on the Agenda Consultation 2011'

Dear members of EFRAG Supervisory Board,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your draft comment letter on 'Request for Views on the Agenda Consultation 2011'.

As a result of our deliberations so far, we have some overarching issues with the whole consultation process. As we have set out in the attached draft comment letter to the IASB, the process should be split into two subsequent phases rather than rolled into one as now. It should also consider the fact that concurrently reviews of the governance of the IASB by the Trustees and the Monitoring Board are still ongoing. Potentially, the outcome thereof may impact the final decision making process and therefore we believe that this consultation should not be completed until the governance changes are clear.

Whilst we agree with the general gist of the draft EFRAG comment letter, we also believe that EFRAG may want to consider our views and possibly reflect these in its own final comment letter.

If you would like to discuss this further, please do not hesitate to contact us,

Yours sincerely,



Hans de Munnik
Chairman Dutch Accounting Standards Board

Appendix:

- Our responses to the questions to the constituents on 'Request for Views on the Agenda Consultation 2011'
- Copy of our commentletter to the IASB regarding 'Request for Views on the Agenda Consultation 2011'

APPENDIX – Responses to the questions to constituents on “Request for Views on the Agenda Consultation 2011”

Question to constituents (page 4 of the draft commentletter):

The paragraphs above summarise EFRAG’s preliminary views on the first set of questions included in the Request concerning the overall balance in strategic priorities. EFRAG’s final comment letter may reflect other views depending on the input received from constituents.

Do you agree with EFRAG’s preliminary main messages?

If not, what messages should be included in our final comment letter?

No, we believe that the consideration of a two-phase approach should also be addressed in your final comment letter. We believe that the agenda-setting process should be split into two subsequent phases. Before the selection of new agenda items, there should be a moment of fundamental reflection. Besides completing the four existing projects, we believe that this period is needed to implement and/or (re-)consider some fundamental issues, like:

- evaluation and implementation of the outcomes of the governance review,
- finalization of the Conceptual Framework in combination with (re-)consideration of boundaries (financial versus non financial information in the financial statement and industry specific standards or not), and
- accessibility of standards.

We further agree with your main messages in the draft comment letter.

Question to constituents (page 16 of the draft commentletter):

In the comments above, EFRAG has not expressed a specific preference for the projects to be undertaken other than the Conceptual Framework.

Do you think EFRAG should suggest some additional projects?

(a) If so what projects?

(b) Should EFRAG recommend as agenda items its proactive projects on business combinations under common control, income tax and disclosure framework (discussion papers are to be expected in Q3 and Q4)?

As set out in the response to the previous question, we agree with EFRAG not to include any suggestions of new additional projects. We also refer to our comment letter to the IASB.



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Re : Comment on 'Request for Views on the Agenda Consultation 2011'

Dear members of International Accounting Standards Board,

On the whole, we agree with the gist of the comments made by EFRAG in the draft comment letter it has circulated and to which we refer, but we also have some overarching concerns which we have set out below and which we also voiced in the recent Outreach meeting on this subject.

Governance Framework

Whilst we appreciate on the one hand the opportunity to comment on the Request for Views on the Agenda Consultation 2011, on the other hand we wonder how this will fit in with the outcome of the reviews that are concurrently taking place by the Trustees and Monitoring Board on the governance framework of the IASB. In our view, the outcome of those reviews may well impact the decision making process on the future agenda. Also, the potential for directional changes as a result of those reviews cannot be excluded entirely either.

As a consequence, it is our opinion that any final decisions resulting from the agenda consultations should only be taken once the new governance framework is in place. It is unclear to us whether this will affect the timeline set out on page 16 of the consultation document, but we believe this aspect should be taken into account.

Two-phased approach

Many, including ourselves, have argued for a period of calm. That is not to say that nothing should be done in that period. It should in our view be used for the completion of the four existing projects (Revenue from contracts with customers, Leases, Insurance contracts and in particular Financial Instruments), and more importantly for the completion of the framework. That would also provide an opportunity for some fundamental reflection on what has been achieved to date and what needs to be done going forward. Where the Agenda consultation document also argues for that fundamental reflection in the first part, at the same time it focuses in the second part on priority setting for a significant number of (deferred) agenda projects and requests suggestions for new projects. We believe that that may result in an unbalanced approach.

As a consequence, the agenda setting process should be split into two phases. The second phase, i.e. identifying specific projects, should only take place once the first phase, which we believe should address the completion of the framework, including some fundamental reflection, and the four projects referred to before, has been completed, because the outcome of that first phase should provide directional information on the selection of specific projects in the second phase. In addition, it would make the whole process fit better with the outcome of the governance reviews referred to before.

In our view, accomplishing that part of the first phase can be done in months rather than years. Much of the information is already there and as a consequence there is no need for extensive research and debate. That first phase should also look into the boundaries of the remit of the IASB in the context of the completion of the conceptual framework.

The consultation document itself refers to research on the future of financial reporting 10 years from now. Whilst useful, at the same time the IASB should consider where it can and should have an impact and where it reaches the limits of its effectiveness. The objective of the IASB is to develop standards for general purpose financial statements. That objective should therefore be the driver to determine the boundaries of the IASB remit. Once those boundaries are identified, that should also help in deciding what projects fit in and what do not.

Priorities

Against that background, the completion of the conceptual framework should have the highest priority, as this will largely determine the boundaries discussed above. There is in any case general concern about this matter, as there are already issues between certain standards and the conceptual framework. We understand the need to get the framework right, but many are also of the view that there needs to be a balance between perfection and the timeliness of completion. We think that issues should be resolved in a practical manner and perfection should not always be the driver, as this will result in further delays.

Also, a number of the potential projects listed in appendix C can or probably should be addressed through the framework rather than through a piecemeal solution in a new or amended standard. Those potential projects are often also related to performance statement questions including OCI. Adding that focus to the completion effort of the conceptual framework would contribute much to resolving such issues.

Criteria

Completing the conceptual framework should also help in developing criteria for adding or rejecting potential agenda items. We cannot see how agenda setting and agenda consultation for that matter can be conducted without having that set of criteria.

In that context we have a similar comment on the presentation and disclosure framework, where we are concerned that trying to achieve the right level of conceptualization of this subject may result in continued deferral. In our view, it does not matter whether this is released as part of the framework or as a separate standard, as long as it gets done and in time.

Accessibility of the standards

Whilst of a slightly different order than the issues discussed before, in our view the accessibility of the standards is an issue worthy of review, if not repair. IFRSs (and IASs for that matter) are generally identified in the chronological order of their creation. This reflects their history, but in many ways does no longer help users in easily accessing the subject on

which they need to consult. We believe that the IFRS for SMEs goes a long way in demonstrating the sort of approach that may be of help in making standards accessible. That may well serve as an example for the re-creation (and perhaps simplification) of the standards as written now. Many would argue that you need an expert to understand IFRS and to our mind that cannot be the objective of standards underlying general purpose financial statements. They should be principle-based, accessible and understandable by all (potential) users. We believe the time to address that issue is now, as we have already stated in an earlier comment letter on this subject. It may also be helpful in identifying any gaps in standards.

Focus on fundamentals

In conclusion, we believe that at this stage the IASB should focus on the fundamentals and not seek views on adding additional projects to its agenda. For that reason we have elected not to prioritise any of the projects listed in appendix C. That view has also been driven by the fact that there are no real up to date criteria for agenda setting, something to which we have already alluded earlier in this letter. The existing agenda-setting criteria as listed in the document are in our view out of date or at least in need of a significant overhaul. For instance, we do not believe that convergence can be a basis for priority setting anymore. Many of the potential projects listed here are there for a historic reason. We believe there is an inherent danger in presenting the potential for choice in such a manner, the more so because it is utterly unclear to us what the basis is for the final determination. Is this based on how many votes in favour or against or is there some sort of weighting involved? We do not think that using the objectives of the IFRS Foundation referred to in the appendix are of much help in this context either. They are so broad, if not vague, that their use is highly questionable.

Exceptions for some projects

We have a few exceptions when it comes to selecting potential projects, the most important one of which is: “post-employment benefits”.

From our perspective IAS19, which in the view of most is not principle-based and at best can be described as a deterministic standard, continues to cause problems and is generally not able to deal with the reporting issues resulting from the hybrid risk-sharing pensions schemes prevalent here, despite certain text changes in the recently issued revised standard.

We also believe that two other subjects, researched by EFRAG, need to be considered in the priority setting “Business Combinations under Common Control” and “Disclosure Framework”, the latter in particular if not addressed as part of the conceptual framework completion as discussed before.

We would be happy to discuss our comments in more detail with you, should you so wish.

Yours sincerely,



Hans de Munnik, Chairman Dutch Accounting Standards Board

APPENDIX – Responses to the questions on “Request for Views on the Agenda Consultation 2011”

Question 1

What do you think should be the IASB’s strategic priorities, and how should it balance them over the next three years?

Question 1(a)

Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

Question 1(b)

How would you balance the two categories and five strategic areas?

If you have identified other areas for the IASB’s agenda, please include these in your answer.

In our view, the consultation should be split into two phases, as explained in cover letter. At this stage, only the first phase, i.e. a reconsideration of the fundamentals, should be reviewed and the selection of any potential projects should be deferred to the moment that this first phase is completed.

We believe that the two main categories and the five strategic areas within them should be viewed against this background.

We have a specific concern with research efforts. We question whether these should be undertaken by the IASB on its own as this would draw heavily on resources. It would be far better if the IASB could engage (or co-operate with) others that are already involved in that area, such as universities, in particular if the IASB could provide input into such studies to ensure maximal usefulness, whilst making this at the same time more efficient and cost effective for the IASB.

We agree with the undertaking of post-implementation reviews, but here again co-operation with others will yield better benefits.

For the remainder we support the views of EFRAG expressed in its draft comment letter.

Question 2

What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

Question 2(a)

Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

Question 2(b)

Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available. Which of the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).

We generally agree with the views of EFRAG expressed in its draft comment letter, but we have the following additional comments.

Your intention is to continue to give the highest priority to progressing work on the four existing projects: Revenue from contracts with customers, Leases, Insurance contracts and Financial instruments. Much work remains to be done in respect of these projects and it is questionable whether any resources will be available for other projects. We believe the completion of the Financial Instruments project should have the utmost priority.

With reference to our cover letter, we believe that selecting projects should be part of the second phase of this consultation, reason why we have elected not to prioritise any with the exception of Post-employment benefits. We still believe a fundamental review of this standard is urgent, the more so because it has conflicted and still conflicts with the conceptual framework as it stands, more in particular when it comes to the recognition and measurement of liabilities. Dutch pension arrangements have for a number of years been voted the best in the world and they deserve an accounting standard that reflects that.

If presentation and disclosure are excluded from the completion of the conceptual framework, then at least disclosure should be evaluated in the context of a separate standard with a focus on reduction.

As stated in our cover letter, we also support the inclusion of Business Combinations under Common Control as a priority issue for the agenda. If any other projects are to be added, then Rate-regulated activities is one that is in urgent need of resolution.