

Françoise Flores
European Financial Reporting Advisory Group
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Belgium

Email: commentletters@efrag.org

27 November 2015

Dear Françoise

EFRAG's 2015 Proactive Agenda Consultation

This letter sets out the comments of the UK Financial Reporting Council (FRC) in response to the above consultation paper.

We welcome this consultation as we consider that proactive work is an important part of EFRAG's activities. This is particularly relevant at this point in time because the IASB is consulting on its work plan and the projects that EFRAG undertakes have the potential to influence the IASB's work.

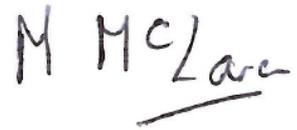
We would like to highlight the following points:

- a. We consider that it is useful to have a range of types of papers in which to highlight and analyse specific financial reporting issues, as the appropriate type of paper will depend upon the specific issue being addressed.
- b. We would like to emphasise the importance of EFRAG remaining independent from the IASB so that it can provide a distinctive European voice in the development of IFRSs.
- c. On the specific proactive projects that EFRAG has tentatively decided to add to its proactive agenda, we consider that it should continue with its Transactions with Government project, undertake additional work on areas of the *Conceptual Framework* that need further development and develop an impairment model for equity instruments.
- d. We consider that EFRAG should also commence a project on how the public good is assessed, including the availability of quantifiable measures.

Our responses to the questions in the consultation paper are included in the Appendix to this letter.

If you would like to discuss these comments, please contact me or Annette Davis on 020 7492 2322.

Yours sincerely

A handwritten signature in black ink that reads "M McLaren". The signature is written in a cursive style, with the first name "M" and the last name "McLaren" clearly visible. A horizontal line is drawn under the name "McLaren".

Melanie McLaren
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Appendix: Questions to Constituents on EFRAG's Proactive Activities

Feedback on Proactive Work	
11	What is your opinion on the effectiveness of the proactive work EFRAG is undertaking?
12	What type of EFRAG projects and output have been more useful: (a) Discussion Papers (b) Short Discussion Series Papers (c) Bulletins
13	Do you support the current mix of output? Please mention an EFRAG paper that you consider in particular useful. And also one that you consider was not so useful. Please indicate your reasoning.
14	How do you make the decision to comment or not to comment on an EFRAG proactive project?

- A1 We consider that the development of Bulletins and the Short Discussion Series of papers to highlight and analyse specific financial reporting issues has been successful. In particular, it seems clear that the development and use of Bulletins to highlight specific *Conceptual Framework* issues has significantly increased the amount of debate on these issues. We note that although the actual number of responses EFRAG received was low, the Bulletins had a wide audience by being on the agenda of ASAF and CFSS meetings. They have also been widely cited, including in the academic literature.
- A2 It seems probable that one reason for this success is the concise format. However, the appropriate type of paper will depend upon the specific issue being addressed and in some cases a longer document will be appropriate.
- A3 We encourage EFRAG to consider whether issuing proactive papers with a response deadline is the most appropriate mechanism through which views from stakeholders can be gathered, as few responses are generally received. Instead EFRAG could focus on these papers being discussed in as many fora as possible to increase the amount of debate on the particular issue. EFRAG can gather feedback from its constituents by continuing to hold outreach events such as roundtables, and presenting its proactive work at "think tanks".
- A4 When considering whether or not to respond to EFRAG's proactive work, we note that we do not usually respond when we have been a part of the development of the paper.

Coordination with the IASB	
19	How do you see the possible coordination of proactive work between EFRAG and the IASB? Do you think it is important that EFRAG remains an independent contributor?

- A5 We note that EFRAG was formed to provide a proactive contribution to the development of IFRS, to help coordinate financial reporting expertise in Europe, to contribute to the implementation of IFRS in Europe and to provide the European Commission with technical expertise and advice on accounting matters. We consider that this role effectively requires it to be independent of the IASB as it would not otherwise be able to

advise the European Commission on proposals that it developed on behalf of the IASB or respond to those proposals with European views. Therefore, we would like to emphasise the importance of EFRAG remaining independent from the IASB. It is also important that EFRAG provides a distinctive European voice in the development of IFRSs.

- A6 The Consultation document does not appear to discuss the work that EFRAG already coordinates with the IASB in areas such as participating in joint outreach events and sharing the results of fieldwork undertaken in Europe. We consider that this coordination is very helpful for both parties and should continue.

New EFRAG proactive projects	
23	Do you agree that these projects are relevant for Europe and should be undertaken? How would you see their priority?
24	In the table in the Appendix to this consultation, the proactive work that EFRAG has carried out or is carrying out at present is listed. There are also topics on which EFRAG has not carried out work. Do you think that EFRAG should undertake work on any of these projects?
25	Do you see other projects than those listed in the IASB Agenda Consultation or above that EFRAG should undertake?

- A7 On the specific proactive projects that EFRAG has tentatively decided to add to its proactive agenda, we consider that it should continue with its Transactions with Government project. We believe this project should be undertaken because it seems unlikely that the issues surrounding levies, government grants and income taxes will be resolved without considering the non-exchange non-voluntary nature of levies and income taxes, and the non-exchange nature of government grants. We have encouraged the IASB to consider a research project on non-exchange transactions to address these issues in our response to the IASB's *2015 Agenda Consultation*.
- A8 We encourage EFRAG to undertake additional work on areas of the *Conceptual Framework* that need further development. Similarly, we have also urged the IASB to continue to develop specific areas after issue of the revised *Conceptual Framework*.
- A9 We consider that it is incumbent upon EFRAG to work on the development of an impairment model for equity instruments given the comments in EFRAG's endorsement advice on IFRS 9 *Financial Instruments* that the recycling of profits or losses arising on investments measured at fair value through other comprehensive income should not be prohibited.
- A10 We consider that EFRAG should also commence a project on how the public good is assessed, including the availability of quantifiable measures. We also consider that outreach should be performed to get an understanding of constituents' views on this issue.