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IASB 2020 Agenda Consultation

Issues Paper

Objective

- 1 To discuss the IASB's 2020 Agenda Consultation and identify the priority projects to be recommended to the IASB staff at the next ASAF meeting in December 2019 and to the IFRS Advisory Council.

Background

- 2 The IASB is required to undertake a public consultation on its work plan every five years. The primary objective of agenda consultation is to seek formal public input on the strategic direction and balance of the IASB work plan.
- 3 In the context of the forthcoming 2020 Agenda Consultation, the IASB Staff is currently reaching out to ASAF members (including EFRAG) and IFRS Advisory Council members to identify a shortlist of potential projects. These shortlisted projects will be included in the Request for Information ('RFI') planned for the first half of 2020 to elicit more focussed feedback. The RFI will continue to provide the vehicle for the IASB's formal, broad-based consultation for all interested stakeholders, such as:
 - (a) To provide additional information on the shortlist of potential projects;
 - (b) To describe other potential projects not covered in the RFI shortlist; and
 - (c) To make prioritisation recommendations.
- 4 In this context, the IASB staff requested that ASAF members provide **no later than 8 November 2019**¹ a description of no more than five potential projects to include in the shortlist in the RFI.
- 5 EFRAG TEG's input and recommendations will be considered by the EFRAG Board at its 13 November 2019 meeting (the Agenda Paper will be made available on EFRAG's website one week before that meeting).
- 6 ASAF members (including EFRAG) will discuss suggested potential projects for the shortlist in the RFI at the 16-17 December ASAF meeting. The same suggestion will be shared with the IFRS Advisory Council.

¹ IFRS Advisory Council members (EFRAG Board President is a member) are asked to give similar input by the end of October.

- 7 To support an effective discussion, we identify below a number of potential projects that could be considered.

Prior discussions and consultations

EFRAG TEG and EFRAG CFSS

- 8 At the 25 September 2019 joint EFRAG CFSS-TEG meetings the following priorities were identified by some members:
- (a) Finalising the ongoing projects (FICE, Dynamic Risk Management, Goodwill and Impairment, etc.).
 - (b) Starting on a timely basis the post-implementation review of recently-issued standards such as IFRS 9, IFRS 15, and 16
 - (c) Hedge accounting for insurance entities,
 - (d) Dynamic risk management other than for interest rate by banks (e.g. foreign exchange rates, commodity risk).
 - (e) Research on accounting effects of negative interest rates.
- 9 If some of the above listed projects were to be recommended to the IASB Staff (in particular the projects on negative interest rates or on Dynamic Risk Management) there will be a need to specify in more details the problem definition and why the matters are deemed important.

Additional input requested from EFRAG CFSS members

- 10 To address the request from the IASB Staff, the EFRAG Secretariat also invited EFRAG CFSS members to provide additional input, in writing, about their shortlist of priority projects including the problem definition and why the matter is important in their country. We also asked them if they identify specific projects conducted in their jurisdiction, or expected to be conducted, that could be considered by the IASB for its future agenda.
- 11 At the date of this paper, the EFRAG Secretariat had received input from Four Standard Setters. Their priority lists and problem definitions are presented in Appendix 1.
- 12 The EFRAG Secretariat notes the following projects identified by more than one respondent :
- (a) PiR IFRS 5 (2 respondents)
 - (b) Equity Method of Accounting (2 respondents)
 - (c) Supply chain financing (reverse factoring) (2 respondents)
- 13 The EFRAG Secretariat will provide a verbal update at the meeting on any additional input received from EFRAG CFSS members after this paper was uploaded.

Other potential topics identified by the EFRAG Secretariat

- 14 Based on recent discussions, the following additional projects are identified by the EFRAG Secretariat for EFRAG TEG's consideration:
- (a) Conducting the Post Implementation Reviews of IFR5, IFRS 9 (in addition to the PiR on the most recently issued Standards IFRS 15 and IFRS 16 as suggested in paragraph 8, above)
 - (b) Accounting for Mutual Companies: when do Mutuals have Equity?; and
 - (c) Review of IAS 34 – Interim Financial Reporting (issue raised by some in the context of IFRS 17): Clarify that in all cases, information in interim financial reports should be made on a year-to-date basis (and revised in future interim

periods if necessary) so that the frequency of reporting does not affect the annual Financial Statements.

Follow-up on the projects identified by EFRAG as priorities in the 2015 IASB agenda consultation

- 15 The EFRAG Secretariat has also considered the extent to which priority projects identified by EFRAG in the previous IASB agenda consultation (2015) have been successfully addressed and completed.
- 16 Appendix 2 provides an overview of the current status of the projects that were considered a priorities in the 2015 IASB agenda consultation.
- 17 It is noteworthy that two projects identified as priorities by EFRAG in 2015 have been put 'on hold' by the IASB :
 - (a) **Discount rates:** The IASB issued on in February 2019 a project summary ([link](#)) on its research on Discount Rate summarising the investigations conducted between 2014 and 2017 on the reasons for the inconsistencies relating to discount rates in different IFRS Standards. The IASB will use those outputs in other projects in considering whether and how to address some of the inconsistencies identified; and how to avoid creating unjustifiable inconsistencies; However the IASB has no plans to conduct a separate project on discount rates.
 - (b) **Equity method of accounting :** The initial IASB project has been limited to assessing whether practice problems could be addressed by amending the equity method or whether a more fundamental review is needed. In 2017 the IASB decided to put the project in the research pipeline until the Post-Implementation Review (PIR) of IFRS 11 Joint Operations is undertaken.
- 18 The question arises as to whether EFRAG TEG still considers the completion of these projects as a matter of priority.

Questions for EFRAG TEG

- 19 What are the priority projects that EFRAG TEG would like to recommend to the IASB Staff for inclusion in its 2020 Agenda Consultation? Please describe the project and explain why you consider it is important.
- 20 Are there other recommendations to the IASB Staff that EFRAG TEG would like to convey to the IASB at the December ASAF meeting and to the IFRS Advisory Council?

Appendix 1 - Input received from EFRAG CFSS members

FSR / DASC

Project (By order of priority)	Description	Why it is important ?
Supply chain financing	IFRSs do not provide any guidance on the matter	Diversity in practice has emerged and enforcers (e.g. ESMA) have pointed out the need for guidance under IFRS.
IAS 7 - Statement of Cash flows	IAS 7 is in need of a fundamental review, both in relation to presentation and disclosure	The importance of the issue is confirmed by the recent FRC publication 'Disclosures on the sources and uses of cash'.
IFRS 7 – Financial Instruments : Disclosures	Need of a thorough review. Need to start from blank sheet and identify separately requirements for financial institutions and for non-financial institutions. Issue linked to the precedent topic regarding IAS 7.	Implementation of IFRS 9 in 2018 evidenced that many corporates found the disclosure requirements of IFRS 7 complex and difficult to understand. ²
IAS 34 – Interim Financial Reporting	IAS 34 is in need of a thorough review	In addition to EFRAG's work in previous years, the disclosure requirements need a thorough review maybe also starting with a blank sheet of paper.
Equity Accounting	IASB project on hold. Seem to only consider Equity Method of Accounting in the consolidated financial statements	Accounting for subsidiaries in separate financial statements using the equity method is widespread in our jurisdiction under both IFRS and Danish GAAP. There are many issues to address
IAS 10 – Events After the Reporting Period	Review of Standard including examples as it is difficult to apply in practice potentially resulting in diversity.	Not always obvious when an event is adjusting or non-adjusting. In addition, the illustrative examples in IAS 10 are in need of a review.

NASB

Name of the Project	Description	Why it is important ?
PiR of IFRS 5	Consider whether (a) presentation requirements are appropriate (intention to sell versus realised transaction) and (b) whether measurement requirements are appropriate, (stop depreciating assets and stop equity accounting for investments for investments to be disposed of).	Measurement of asset groups held for sale and discontinued operations raises significant questions and confusion, in particular their integration with businesses or asset groups to be retained. This is to a large extent visible through IFRIC processes.

² NB : This topic could be addressed in conjunction with the PiR of IFRS 9 /IFRS 7.

IASB 2020 Agenda Consultation - Issues Paper

Name of the Project	Description	Why it is important ?
Accounting for taxes and possibly other fiscal contributions to governments	<p>Consider whether accounting difference between income taxes and other government taxes continues to be appropriate.</p> <p>Consider whether reporting DTA/DTL at nominal amount (even in business combinations) is appropriate</p> <p>Reconsider initial recognition exemption with creates tension.</p>	<p>Accounting for taxation creates a split between tax bases that is not necessarily reflecting the underlying economic reality.</p> <p>Measuring deferred tax assets at nominal amounts creates overstated assets and liabilities. Increased use of OCI, for instance for remeasurement of pension obligations, also creates issues related to how to allocate changes in tax rates and other changes between the income statement, OCI and equity.</p>
Equity accounting	<p>Basis for equity accounting is unclear (valuation method or one-line consolidation) method. As such, how to account for transactions between the investor and the associate or JV or how to account for changes in ownership, does not have a clear conceptual basis.</p>	<p>Unclear conceptual basis for equity accounting has contributed to the many requests to IFRIC. We believe that a clarification of this issue will help further developing the Equity Method of Accounting.</p>

Polish Accounting Standards Committee (PASC)

Project	Description	Why it is important ?
PiR IFRS 9, 15 and 16	<ul style="list-style-type: none"> • Post-Implementation Reviews of recently issued IFRS Standards • Taking into account that the IASB has already many open projects in the pipe-line the PASC does not see the need for adding other new projects. 	<p>The Polish Accounting Standards Committee is of the view that PiR concerning new IFRS that have been implemented in recent years are of a high importance (in particular IFRS 9 PiR).</p>

Lithuanian Accounting Authority

Project	Description	Why is it important ?
Accounting and financial statements of Mutual funds (UCITS)	<p>In practice, an important part of Mutual funds typically do not have equity structure and their liabilities are calculated as NAV (assets measured at FV through P(L) minus liabilities). This creates challenge how to apply IFRS requirements preparing Mutual funds financial statements.</p>	<p>The accounting of Mutual funds and IFRS requirements' interpretation significantly varies among jurisdictions</p> <p>Issues with the application of IQS 1 (some funds report a statement of NAV changes which is not comparable to a statement of comprehensive income) IFRS 9 (use of fair value through P&L not always allowed) , IAS 24 (identification of related parties when mutual funds are managed on a trust basis...) , IFRS 10 (when the mutual fund is an umbrella fund and divided into sub-funds</p>

Appendix 2: Follow-up on projects identified as priorities by EFRAG in the 2015 agenda consultation

21 The table below summarises the priorities identified by EFRAG in its comment letter in response to the IASB's 2015 agenda consultation and how these priorities have been addressed by the IASB to date:

EFRAG's priorities in 2015 IASB Agenda Consultation	Current Status of the project
Standard-setting	
Finalisation of the Insurance Contracts	Completed
Revise of the Conceptual Framework	Completed
Advancing on the Disclosure Initiative	Completed - Principles of Disclosure and Materiality Ongoing - Targeted Standards-level review (new drafting guide for disclosures tested on IAS 19/IFRS 13)
Advancing Dynamic Risk Management (Macro-hedging)	Ongoing - Exploring whether it can develop an accounting model . IASB Outreach on core model in Q4 2019. Based on the outreach the IASB will consider next steps
Research projects	
FICE	Completed (research) DP published in June 2018 IASB to decide on project direction in Q4 2019
Discount Rates	Completed (only inventory of inconsistencies): Project Summary published in February 2019 (investigate 'reasons for inconsistencies' in discount rate requirements in IFRS Standards). No further developments expected
Equity Method of Accounting	On hold - IASB decision in May 2016: <ul style="list-style-type: none"> Defer research on Equity Method of Accounting until PIR of IFRS 10/ 11 /12 Seek feedback on investors' information needs as part of these PIR Reconsider the scope of the project
Primary Financial Statements	Ongoing - IASB expects to publish an Exposure Draft in December 2019
Goodwill and Impairment	Ongoing – Discussion Paper expected in February 2020 (possible improvements to IFRS 3 and IAS 36 following the Post-Implementation Review of IFRS 3)
Post implementation reviews	
IFRS 3, IFRS 8 and IFRS 13	Completed
IFRS 5	Not started
IFRS 9	Not started
IFRS 10, IFRS 11 and IFRS 12	Expected to start in end 2019