

EFRAG 2018 Research agenda consultation

Response ID:154 Data

2. General information about the respondent

1. Please tell us:

Your name:

Christian Fink

Email address:

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If you are responding for an organisation, please indicate the name and type of organisation and a short description of activity/industry:

Vereinigung zur Mitwirkung an der Entwicklung des Bilanzrechts für Familiengesellschaften e.V.: The Association for Participation in the Development of Accounting Regulations for Family-owned Entities (VMEBF) was founded in 2006 and consists of German companies with a strong family shareholder background. Beyond its members, the association represents a huge number of family-owned large and medium-sized entities in Germany, often legally organised in the form of partnerships. The objective of the VMEBF association is to make the role of German family businesses as stakeholders in the development of international accounting more visible and to act as a constructive partner for the standard setters. We work closely together with the German standard setter GASC and the German Institute of Chartered Auditors (IDW) as well as other political institutions.

Job title/role:

Country:

Germany

Please state which country:

2. Main countries of operation:

Germany

3. General questions

3. Do you have suggestions on how EFRAG could substantiate the influence of its Research activities in general, and individual projects in particular, on the IASB's work?

We believe that EFRAG should try to mobilise more of its constituents to autonomously take an active part in commenting the IASB's work, attending round-tables or giving feedback to the board, the IFRS Foundation trustees or their national standardsetters. As the resources of both EFRAG and most of the constituents are limited, EFRAG should carefully weigh up its research agenda and only put into effect its most urgent projects (e.g. on intangible assets). Especially preparers of financial statements often face severe problems following-up and commenting the vast number of discussion papers or exposure drafts issued by the IASB, EFRAG, the EU Commission or national standardsetters and passing through the excessive consultation processes required, as there is a lot of operational work to be done in parallel preparing financial statements and adapting routines and processes to the ever-present amendments to IFRSs.

4. What is your assessment on the use of evidence by EFRAG in its recent Research? Do you have suggestions on how to improve it?

From our point of view, the use of evidence is crucial to the usability of future IFRSs. A comprehensive and accurately elaborated underlying concept is an essential requirement for the development of consistent, principles-based IFRSs. Such highly principles-based standards enable preparers to deduce consistent and robust accounting principles from lean and concise financial reporting standards without the variety of casuistic exceptions from the principles initially adopted that are effective in current IFRSs. To support that objective, EFRAG should add more importance to field testing and intensive outreach activities among preparers of IFRS financial statements.

4. List of potential topics

5. For each project listed above, please indicate how important or urgent you consider it to be for European constituents (5 being most important) and how likely you consider that the project could reach a useful conclusion within a reasonable time frame (5 being most likely).

	Importance to European constituents	Likely to reach a useful conclusion in time
Better information on intangible assets	5	5
Cryptocurrencies	1	3
Derecognition	1	3
Transaction-related costs	4	4
Variable and contingent payments	5	4

6. Please provide any additional comments or explanation of your rating for the projects listed above.

We believe that the project related to better information on intangible assets is of significant practical relevance for preparers and users of financial statements and therefore should be in the focus of EFRAG's research activities. We therefore agree with EFRAG's intention to develop guidance on accounting for internally-generated intangibles. However, due to the radical changes in information technology (e.g. the increased use of cloud services) EFRAG should add the accounting for cloud computing arrangements to its research agenda.

As cryptocurrencies are only relevant to a small group of constituents in certain industries, we believe that EFRAG should not carry forward research on that topic.

With regard to derecognition, we believe that this issue is relevant especially in the context of financial instruments. IFRS 9 contains specific guidance on derecognition criteria. We therefore do not think that EFRAG should add too much effort into that research project.

As acquisition costs are an ever-present issue for most preparers of IFRS financial statements, we believe that transaction-related costs and variable/contingent payments are highly relevant to the majority of EFRAG's constituents, run through a large part of IFRSs and should therefore be pursued.

7. Are there other topics that you advise EFRAG to add to its Research agenda? If so, please provide a description of the topic and what the objective of an EFRAG Research project should be.

The VMEBF association represents a huge number of family-owned large and medium-sized entities in Germany, often legally organised in the form of partnerships. With this in mind, we add significant importance to the IASB's project on financial instruments with characteristics of equity. Distinguishing equity from liabilities is an important practical issue for a large part of EFRAG's constituents, too. From our point of view, EFRAG should (again) add that topic to its research agenda and discuss the implementation of a principles-based definition of equity (EFRAG already developed an interesting approach to distinguish equity from liabilities in the context of the PAAinE-initiative – the loss absorption approach). A consistent definition of equity should focus on the economic substance of equity instruments instead of prioritising the prevention of structuring opportunities and thereby creating a much too narrow approach with a variety of casuistic exceptions from the principles initially adopted.

6. Thank You!

New Send Email

May 30, 2018 10:33:47 Success: Email Sent to: cristina.rodriguez@efrag.org

New Send Email

May 30, 2018 10:33:47 Success: Email Sent to: christian.fink@hs-rm.de
