



18 November 2011

Our ref: ICAEW Rep 107/11

Mme Françoise Flores
Chair
European Financial Reporting Advisory Group
13-14 Avenue des Arts
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By email: commentletter@efrag.org

Dear Mme Flores

Agenda Consultation 2011

ICAEW welcomes the opportunity to comment on the EFRAG's draft comment letter to the IASB on their Request for Views *Agenda Consultation 2011* published by the IASB in July 2011.

ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 136,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

We set out below our responses to the questions posed in EFRAG's draft comment letter. We would however emphasise that we are still formulating our views on the IASB paper. For your reference we also attach as an appendix to this letter a copy of our draft response to the IASB.

Question 1: Do you agree with EFRAG's preliminary main messages? If not, what messages should be included in our final comment letter?

We agree that the central theme of the response should be the need for a period of calm following the rapid change of recent years and accept that this offers a good opportunity for the IASB to further progress work on the conceptual framework. We also agree that convergence with US GAAP has now run its course and that convergence efforts should no longer underpin the IASB's agenda.

However, there are also some areas in which our views do differ slightly from those of EFRAG. We appreciate the rationale behind EFRAG's identification of a 'need for an evidence based agenda setting process', but we feel that the focus here could be changed. For all of the 22 projects listed as contenders for the IASB's agenda, and possibly for others not included in this list, proponents of the particular project are likely to be able to point to evidence suggesting a need for action in that area. Therefore the existence of such evidence should not be taken as a sufficient criterion for adding a project to the agenda. The paramount consideration at the present time should be the achievement of a period of calm, not the development of a mechanism that could potentially extend the agenda.

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We also feel that the focus of the second paragraph on enhancing the conceptual framework could be reversed. EFRAG suggests that standard development activity should be curtailed if the putative standard is in conflict with the conceptual framework; we do not concur. Although it is desirable for a robust conceptual framework to underpin standard setting activity, such a framework cannot exist in a vacuum. It should be developed as far as possible in the context of practical contemporary practice and to the extent that practice moves on, it should be responsive to these changes. Therefore while it may be desirable in some cases to reject proposed standards that are inconsistent with the framework, in practice these conflicts may sometimes indicate that it is the framework that should be re-examined.

Finally, we support EFRAG's call for the IASB to broaden its research work. However, we would go further. Research could be a useful way of exploring some of the various projects that constituents have put forward for inclusion on the agenda without making any commitment to further action. Where it was identified that a particular area should be taken further, the research conducted would provide a firm foundation from which the project could be developed.

Question 2: 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?

We agree with EFRAG's decision not to express support for any particular projects. We are supportive of the IASB undertaking further research work as noted above and EFRAG's pro-active work on common control and income tax could usefully feed into this. However, we would not support these being taken onto the agenda at this stage. We second EFRAG's support for further development of the disclosure framework.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely



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