

Dear Françoise,

Comments of the Polish Accounting Standards Committee (PASC) on the EFRAG draft comment letter on the Future Agenda of the IASB

The Polish Accounting Standards Committee generally agrees with the main messages in EFRAG's draft comment letter on the Agenda Consultation 2011. The PASC presents below its opinion on issues that might be considered when drafting the final comment letter.

1. Taking into account the limited resources of the IASB and of the constituents using IFRS, the dynamic situation on the financial markets, and also relatively short period for consultation, the Polish ASC is of the opinion that the IASB's activity should focus on the following three areas:
 - 1) current priorities, i.e. the tasks the completion of which is considered the most important goal in the next three years,
 - 2) projects that are expected and needed,
 - 3) other activities performed by the IASB on a permanent basis and which are aimed at improving existing IFRS.
2. **Current priorities.** In our view the most important task is to finalise the three significantly advanced projects, which are:
 - 1) Conceptual Framework,
 - 2) Financial Instruments,
 - 3) Insurance Contracts.

Placing the Conceptual Framework on the top of the list is in our view justified by the following arguments:

- 1) Conceptual Framework is of a paramount significance for the regulation of the whole financial reporting system, for regulators, preparers as well as for users,
- 2) universal character – the solutions adopted in the Conceptual Framework will have impact on all aspects of the financial reporting regardless of the size and legal form of the entity and of the type of sector in which it operates;
- 3) high expectations by the accounting profession towards the content of the Conceptual Framework,
- 4) the need for a long transitional period,
- 5) the need for a broad scope of consultations,
- 6) far-reaching consequences, also for the accounting theory and accounting education,
- 7) an important move forward towards the convergence with the US GAAP.

The Conceptual Framework forms the basis for standard setting, implementation and application of IFRS. Without adoption of a coherent and proper Conceptual Framework the financial reporting system remains uncompleted and deprived of the theoretical basis.

The other two projects – financial instruments and insurance contracts – should be finalised as priority projects as the lack of clear regulation in these fields is with the detriment to the economy.

The other two projects on the priority list of IASB – revenue from contracts with customers and leases – should – in our view – be subject to further wide debate, because the proposals are raising many concerns of constituents. Adoption of these standards without careful

consideration might cause serious problems for the markets, not intended by the standards setter. Especially as there are already two regulations that proved to be functioning well – IAS 17 and IAS 18 – so one cannot argue that there are some loopholes in IFRS in these areas.

3. **Other projects.** Apart from finalising the above indicated tasks, the IASB should focus its activities on the following standards:
- 1) Business combinations under common control,
 - 2) Earnings per share,
 - 3) Emissions trading schemes,
 - 4) Foreign currency translation.

The economic practice advocates that these projects should be included in the agenda as a priority because there is a lack of proper guidelines in these areas or the existing regulations are outdated. For example business combinations under common control are quite often observed phenomena in current economy and different approaches are applied in practice which poses problems to the comparability of financial statements presented as a result of such combinations. Another example relates to the fact that a lot of earnings are recognised as other comprehensive income, thus the often used indicator EPS based on profit (loss) is not meaningful. Therefore an urgent decision is needed on whether to limit EPS to profit only or extend this indicator on OCI too.

4. **Current activities.** We share the IASB's view that the work on the following projects should be continued:
- 1) strategic analysis on the future needs of the financial reporting,
 - 2) post-implementation reviews,
 - 3) annual reviews of existing IFRS.

The Polish ASC strongly advocates for:

- 1) **a period of calm**, that is necessary for the observation of the results of standards already introduced as well as for the limitation of implementation costs of new solutions; when considering the IASB's future agenda it should also be taken into account, that not only the IASB has limited resources but also prepares and users have limited resources,
- 2) the introduction of changes to existing IFRS less often than three years – existing practice in this regard, which is based on minor annual corrections causes information chaos and moreover it increases significantly the bookkeeping costs,
- 3) the limitation of the role of convergence as the most significant driver for the changes to IFRS; in our view if the current practice is maintained, it will lead to the departure from the principles-based regulations (which is a clear advantage of IFRS) towards the rules-based and detailed regulations. We support activities of IASB and FASB on convergence towards elaboration of global accounting standards, but we observed, that the convergence process in some cases may lead to the orientation on very detailed regulations and very specific areas of economy, which makes IFRS too much rules-oriented.
- 4) evidence-based agenda decisions, as proposed by the EFRAG,
- 5) engaging a part of the IASB's resources to promote the constituents' involvement in the standard-setting process by organising outreach events, educational sessions and field-testing.

Kind regards,



Joanna Dadacz
Chair of the Polish ASC