

EFRAG  
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2 December 2011

Dear Sirs

**IASB Agenda consultation 2011**

ACCA (Association of Chartered Certified Accountants) is pleased to comment to EFRAG on the above consultation which was considered by ACCA's Corporate Reporting Global Forum.

I attach our response to the IASB.

We believe that our views are very consistent with the position that EFRAG has taken especially in terms of evidence-based decisions for the projects that IASB takes up. On the other hand I notice that ACCA and EFRAG have placed differing emphases on the importance of completing the rewriting of the conceptual framework. On the need for a specific "period of calm" which EFRAG has advocated, we have not noted that specifically as an objective for the IASB workplan, but equally we have suggested a threshold for new projects which would restrict changes to only to those cases which can be proved to be urgent.

If there are any matters arising from the above please be in touch with me.

Yours sincerely



Richard Martin  
Head of Financial Reporting



International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

30 November 2011

Dear Sirs

### **Agenda consultation 2011**

ACCA (Association of Chartered Certified Accountants) welcomes the opportunity to comment on the above consultation. This was considered by ACCA's Corporate Reporting Global Forum and I am writing to give you their views.

We very much support the IASB consulting on its agenda or work plan. This is in the public interest and that of constituents, allowing for greater input into the work and priorities of the IASB. In our view a consultation every three years is too long an interval. An annual review and consultation on the agenda should be an integral part of the due process to ensure that the projects undertaken by the IASB continue to be considered to be significant enough to warrant attention and are relevant to the widest range of stakeholders. The IASB should continue to consult with the Trustees and the IFRS Advisory Council, but we do not consider this an adequate substitute for public consultation. It is not possible for the Advisory Council with around 50 members to represent the full range of stakeholders on a global basis.

### **Selecting priorities for the agenda**

In determining the priorities for its future work IASB needs to put in place a rigorous and evidence-based system for deciding

- if changes to the standards are needed
- between different potential projects.

We are concerned that the current consultation will lead to a mass of competing priorities being suggested by constituents across the world and the final decisions overly swayed by the existing influence of the bodies submitting ideas and by the individual preferences of the board members. As a global standard setter IASB must have a rigorous and rational basis for choosing which issues it tackles from the range submitted by different countries or sectors.

IFRS are a reasonably complete set of standards which have already been implemented by a large number of companies and will over the next few years be taken up by a further large group. In particular the greatest significance must be given to demonstrating the need for a new standard dealing with a subject. The default position should now therefore be one of no change unless one of the following criteria are met to an unambiguous and decisive extent.

- Is there a significant gap in IFRS where there is no guidance?
- Is there a fundamental problem with an existing standard?
- Is there a chance of significant gains in terms of simplification of the standards, consistency of presentation or reduction in complexity?

Having met at least one of these criteria, the costs and benefits of change must be considered and the net advantage needs to be substantial. This is likely to mean that the issue is both prevalent and significant, in the sense that it would produce the potential for material misunderstanding of many financial statements.

Each of these steps needs to be justified not only on the basis of representations made as part of this consultation but on the basis of research and objective evidence. To achieve this IASB needs to develop methodologies for better

- Assessing costs and benefits of changes to standards
- Choosing between competing possible projects given resource constraints
- Measuring complexity and identifying key areas where it could be reduced

The current agenda selection criteria in the due process handbook need to be revised.

### **Strategic direction – maintenance of existing IFRSs**

We agree with the importance of the activities proposed as maintenance of the existing IFRSs in the consultation document.

Post-implementation reviews of standards will be important to assess the effectiveness of the many changes to the standards that have been made and are in prospect. In our submission on the constitutional review we noted that it might be that these are best done by a function other than, and independent of, the IASB itself, given that such studies might amount to an assessment of the effectiveness of the standard setter's work. We also think that two years after the application of standards may be too soon to assess properly the effects.

We also agree that the IASB needs to devote sufficient resources to try to improve the consistent implementation of IFRS.

### **Strategic direction – new or amended standards**

We accept that the existing programme of new standards should be completed, that is

- Financial instruments measurement and recognition (IFRS9 to replace IAS39)
- Insurance
- Revenue recognition
- Leasing

Beyond that the developing of new standards or making major amendments to existing ones, need to be based on the agenda criteria and process set out above. The IASB needs to conduct this evidence-based rational assessment and prioritisation of the different possible projects that it might undertake.

We will not pre-empt the conclusions of that assessment. However we would make the following observations.

The basis of choosing projects on the grounds of convergence would not meet the criteria we have set out. The further development of global standards needs to be via the adoption by countries of a single set of standards such as IFRS and not by trying to make different sets of standards more similar.

A major area of proposed activity is in revising the conceptual framework. We recognise the importance of the framework in developing the standards on a coherent and consistent basis. However the framework is not something which has to be directly applied by IFRS companies. We also agree that there are

significant gaps in the current version for example on measurement (choosing between historical cost, fair value etc.). We note that the new framework is a joint project with FASB to aid convergence and the whole convergence agenda in our view should be given less priority. We are also concerned that a new framework might trigger a perceived need for a whole host of potential changes to the standards to align them with it and eliminate standards not in line. We would prefer to see a framework revision limited to any necessary updating and the remedying of gaps, rather than wholesale re-writing.

Applying the criteria we have proposed would probably qualify the following to be considered and prioritised:

- Extractive activities (significant gap in current IFRS)
- Emissions trading (significant gap)
- A standard for not-for-profit entities – this is a significant sector in many economies both developing economies (needing to account to donors of aid) but also in some developed economies where for instance government is increasingly using them to deliver services to the public. IFRS cover the for-profit sector, IPSAS cover the public sector and so the NGO not-for-profit sector is a significant gap
- Transactions under common control (significant gap in current IFRS)
- Performance reporting especially the distinction between what is to be included in profit for the year and what in other comprehensive income (significant gap in current IFRS)
- Application of IFRS to Shariah compliant transactions (significant gap in current IFRS)
- Agriculture particularly the accounting treatment of bearer biological assets (significant problem with an existing IFRS)
- Disclosure framework (potential complexity reduction)

If there are any matters arising from the above please be in touch with me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Martin', with a stylized flourish at the end.

Richard Martin  
Head of Financial Reporting