

Rådet **för** *finansiell rapportering*

The Swedish Financial Reporting Board

RFR-rs 2015:13

International Accounting Standards Board
30 Cannon Street
London EC4M 6 XH
United Kingdom

Dear Trustees,

Re: Request for Views, 2015 Agenda Consultation

The Swedish Financial Reporting Board is responding to your invitation to comment on the Request for Views on the 2015 Agenda Consultation.

In summary we have the following views:

- We believe the main priority should be the completion of the Insurance Standard, the Conceptual Framework and that significant progress on the Disclosure Initiative project is made.
- In relation to IASB's research activities, we have included in this letter an assessment of the priority of these projects and concluded that the following projects are both important and urgent: Goodwill and Impairment, Post-employment Benefits (including pensions) and Disclosure Initiative.
- While we believe the IASB's maintenance activities are very important, the large number of proposed narrow scope amendments and annual improvements may raise some questions whether improvements can be made with regard to quality control and testing of new standards before being issued
- We recommend that the current interval of performing agenda consultations (every three year) is kept.



Question 1

The IASB's work plan includes five main areas of technical projects:

- (a) Its research programme;
- (b) Its Standards-level programme;
- (c) The Conceptual Framework;
- (d) The Disclosure Initiative; and
- (e) Maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

We believe that it would be beneficial for all parties if the IASB would reduce the number of ongoing research projects considering the large amount of work involved from now until 2018/2019 in implementing the new Revenue Standard, the new Financial Instruments Standard and the new Leases Standard. It will not be feasible for all parties, especially not preparers, to provide deep and well thought feedback on a large number of due process documents from the research agenda at the same time as the implementation work is still going on. We also believe that constituents would welcome a period of calm after considering these three major projects coming to an end. We therefore suggest that only very important and urgent research projects should be prioritised during the future years covered by the Agenda Consultation.

We find it essential that considerable resources are allocated to the projects that are prioritised and this means that we do not necessarily see a reduction of resources in total but a further concentration of resources on the most important projects.

Regarding major standards, we find it essential that the work on the coming insurance standard is finalized. After that we do not see that any new major standard should be needed in the foreseeable future. This means that we don't see any specific area for which a completely new standard is needed currently whereas substantial amendments could be needed. This means that the need of resources might diminish towards the end of the five-year period.

Regarding maintenance and implementation projects, we see the number of narrow scope amendments to new standards as a sign that new standards should be further tested and controlled before they are launched which should lead to fewer resources in this area in the long run. However, the new major standards; IFRS 9, IFRS 15, Leases and Insurance will most probably require resources for maintenance and implementation towards the end of this work plan and beginning of the next work plan.

We find it essential that the work on the Conceptual Framework is finalised in its current scope. We believe that the areas of the Conceptual Framework that could be further developed generally are very difficult and it is better that the IASB spend the resources on individual standards.

We think that the IASB should prioritise the Disclosure Initiative which we think is both important and urgent. As further described below, we believe that one way to speed up this project is to focus on areas where significant improvements can be made in the short-term and leave certain other aspects out of this project.

Question 2

The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33. Should the IASB:

- (a) Add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.
- (b) Remove from its research programme the projects on foreign currency translation and high inflation? Why or why not?
- (c) Remove any other projects from its research programme?

Question 3

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low). Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

We have reviewed all the research projects on the current research programme. Based on our review, we have concluded that the following projects are both important and urgent:

- Goodwill and Impairment: We recommend the IASB to proceed immediately to discuss possible improvements in the impairment test for goodwill, and to consider whether it would not be better to reintroduce goodwill amortisation.
- Post-employment Benefits (including pensions): This matter is both important and urgent for those jurisdictions that have pension plans with hybrid characteristics, which may not have existed when IAS 19 was originally developed. We believe that such hybrid pension plans are becoming more and more attractive from a financing and cost perspective and we regret that the IASB has not been able to come up with a reasonable accounting solution to this problem despite the fact that the IASB has worked on solutions to this problem since 2004 when IFRIC D-9 was issued but later withdrawn. In Sweden, a few examples of hybrid plans have been observed and further examples are expected to arise. In addition, the guidance with regard to the determination of the discount rate needs to be amended. Current guidance might lead to a situation where two companies with identical pension commitments may have to use significantly different discount rates due to whether a deep market in corporate bonds exist or not in each country.
- Disclosure Initiative: We believe that the speed of this project is too slow, and improvements are expected at a faster pace. We believe that one way to speed this project up is to focus on areas where significant improvements can be made in the short-term and leave certain other aspects out of these project, that might otherwise slow down any improvements that could otherwise be reached within a reasonable timeframe.

Rådet **för** *finansiell rapportering*

Based on our review, we have concluded that the remaining research projects either are deemed to work in practice and/or are deemed to be of lower importance to us and/or prior attempts to fix a standard has not been successful. Therefore we do not think it is worthwhile to allocate significant resources to those projects. For example, it is difficult to find a solution that suits all in the income tax reporting area considering that we have different tax regimes in the world. The probability of reaching a solution to some of the deemed problems in tax accounting is low considering earlier attempts.

With regard to the Standard on Discontinued Operations, IFRS 5, we have noted a large amount of issues in relation to definition, measurement, presentation and disclosure that have been raised in relation to IFRS 5. A first step could be to perform a post-implementation review of this standard. We are aware that the IASB currently is not obliged to perform a post-implementation review of this standard, but we think that it would be justified to perform such a review in this case.

Question 4

Do you have any comments on the IASB's current work plan for major projects?

We note that the IASB has not been able to finalize all of the major projects identified in the last agenda consultation. The leases standard is expected by the end of the year but the status of the insurance standard is still uncertain. Of the major projects identified in this agenda consultation, we believe that the finalization of the standards on leasing and insurance should be prioritized along with the completion of the Conceptual Framework.

Question 5

Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19–23 and 50–53)?

Generally, we believe that there has been too many narrow scope amendments to new standards since the last agenda consultation. We think that improvements should be made to quality control and testing of new standards before they are launched in order to avoid spending too much time and resources on implementation issues. According to our view, the appointment of Technical Resource Groups to support the introduction of new standards should be avoided, as the interpretations established by such groups will add more detail and complexity to the standards, contradictory to the principle based approach.

We believe that the work of IFRS IC and PIRs are the appropriate way to identify issues that need to be further clarified and perhaps amended. Such clarification and amendments should be subject to due process. The IFRS Education Initiative should not be used as a means to add interpretations and meanings that are not expressed within the standards.

Rådet **för** *finansiell rapportering*

Question 6

Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

As mentioned previously, we believe that many of the IASB's projects take too long time to develop. In our experience, the IASB has not been successful when taking on such wide-ranging activities. In the future, we believe the IASB should learn from this when defining the scope of new projects.

In addition, we agree with EFRAG's concern expressed in their draft comment letter about the frequent small changes to standards which we have seen since the last agenda consultation. The principle-based approach is central to the IFRS-standards and the IASB should avoid measures that are counteractive to that approach.

Question 7

Do you have any other comments on the IASB's work plan?

We are of the opinion that the IASB should better communicate the objectives of its research projects and the type of problem each project aims at solving (such as changes in economic conditions or business patterns, improvements in practice, elimination of inconsistencies, voids in IFRS and lack of guidance and deficiencies identified in PIRs). Also, more visibility on how research projects move from one stage to another stage would be welcomed. We observe that there is a lack of visibility at present about how research projects move from one stage to another or if some of these projects are stopped during the assessment phase without appearing in the work plan. There is lack of reporting on the amount of progress, constraints or reasons for the progress or the allocated resources and their adequacy. The main source of information is at the time when projects are brought to the IASB Board for consideration.

Question 8

Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not? If not, what interval do you suggest? Why?

We recommend that the requirement for carrying out an Agenda consultation every three years is kept. Five years is a long period in our current world which changes at an accelerating pace. We acknowledge the argument that major projects can very well range over more than five years, but can't see that this should be a valid argument against a three year cycle. Normally strategic planning is to a great extent made in a rolling format and not on isolated occasions every fifth year.

Rådet **för** **finansiell rapportering**

If you have any questions concerning our comments please address our Executive member Claes Janzon by e-mail to: claes.janzon@radetforfinansiellrapportering.se.

Stockholm, 7 December 2015

Yours sincerely,


Anders Ullberg
Chairman