

October 2010

Summary of the EFRAG Planning and Resource Committee meeting held on 19 October 2010

The EFRAG Planning and Resource Committee (EFRAG PRC), consisting of two members of the EFRAG Supervisory Board, the Chairs of three National Standard Setters (NSS) and the EFRAG Chairman, as well as the Chair of the German Standard Setter plus the EC as observers, had its fifth meeting on 19 October 2010 in Brussels.

The EFRAG PRC sets the agenda for the proactive work resulting in the issuance of discussion papers and other output. The EFRAG PRC provides guidance on the allocation of available resources to proactive projects and monitors the progress of the work concerned. The objective of the proactive work is to influence the IASB and to create discussions and a better understanding of financial reporting issues in Europe.

The agenda of 19 October included a status report on the current proactive projects:

- *Corporate Income Tax*: Joint project being led by the UK and German standard setters - ASB and GASB - and EFRAG as part of EFRAG's pro-active work. The aim of the project is to critically examine key aspects of accounting for corporate income tax separately from the requirements in the existing IAS 12, with a view to develop a Discussion Paper that starts from first principles and sets out proposals that might form the basis of a new standard on accounting for corporate income taxes. The project is at a key phase where alternative models to IAS 12 are being developed. The project has proved to be challenging given the complexity of tax/book differences and the implications of a mixed measurement model. The main proposals will be discussed by the ASB and GASB Boards and EFRAG TEG before the end of 2010. The publication of a Discussion Paper for public consultation is expected for the first half of 2011.
- *Business Combinations under Common Control*: Joint Project of the Italian standard setter OIC and EFRAG with involvement of the French standard setter, the ANC. It aims to identify, analyse and discuss the financial reporting practices used in the major markets to account for business combinations under common control (BCUCC) and similar transactions in consolidated and separate financial statements. The intention is to propose a conceptual model to consider and evaluate the different accounting treatments. Various Advisory Panel discussions have been held and the EFRAG TEG has discussed the first chapters. The first draft of the Discussion Paper is intended to be submitted to the OIC and ANC Boards and the EFRAG TEG in January 2011.
- *Disclosure Framework*: The project is led by EFRAG, with the involvement of the UK and French Standard Setter – ASB and ANC. The project aims at the information contained in the notes to the financial statements prepared under IFRS. The project

is aiming to develop a set of principles that can be used by standard setters to make decisions about what and how information should be disclosed in the notes and to make recommendations on how the existing disclosures under IFRS could be improved in terms of content, presentation and display. In the project there is ongoing contact with the FASB and the AcSB (Canada). The Advisory Panel will have meetings in October and December. A Discussion Paper is expected to be issued for public comment in 2011.

- *Effect Studies Methodology:* The EFRAG PRC received a progress report on the project led by the ASB, with the involvement of EFRAG. The main objective is to develop proposals for a framework by which the effects of financial reporting standards can be considered by standard setters, notably the IASB, in developing new standards and major amendments to existing standards. Standard setters have for many years wrestled with ways in which they can determine the effect of financial reporting standards. To date such analyses have been restricted to a qualitative assessment of costs and benefits. The aim is to set out some principles and proposals for considering the effects of financial reporting standards, and how they might be embedded and articulated at each stage of the standard setting due process. The draft Discussion Paper has been considered by the ASB Board and EFRAG TEG. The aim is to issue a Discussion Paper for public comment in order to stimulate debate on the topic before the end of 2010. A public launching event is planned.
- *Business Model:* The EFRAG PRC was updated on the considerations for a project, led by the UK ASB with involvement of the French ANC and EFRAG, on the business model. The project aims to explore the relationship between the idea of an entity's business model and financial reporting. A research of the relevant literature and discussions with academics have taken place. EFRAG TEG had an initial discussion about the scope of the project.

The EFRAG PRC discussed the results of the public consultation process on the agenda and priorities for EFRAG's proactive work. 19 comment letters were received from a diverse group of constituents. EFRAG PRC intends to issue a feedback statement by the end of November. High ranking projects include post implementation reviews; research on user needs and application of IFRS in separate and individual financial statements. Commentators also suggested a number of other proactive projects that could be undertaken at European level. EFRAG PRC will continue its discussions on the 2011/12 work programme in its January meeting.

EFRAG PRC discussed addressing the IFRS Foundation on the process for the work plan consultation. In addition first discussions took place on the possible establishment of a new Consultation Group.

In addition, the EFRAG PRC had a first discussion on the modus operandi of the EFRAG PRC and its partners in relation to proactive work. EFRAG PRC was updated of the proactive strategies of National Standard Setters.

Future meeting

The next meeting of the EFRAG PRC will take place on 27 January 2011 in Brussels. It is a combined meeting with the EFRAG Reference Group, and the meeting is open to the public. In addition a conference call will be organised in November to finalise the feedback statement on the proactive work.

EFRAG PRC Summary is published as a convenience for EFRAG's constituents.