

June 2010

## Summary of the EFRAG Planning and Resource Committee meeting held on 1 June 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 fourth meeting on 1 June 2010 in Brussels.

The EFRAG PRC sets the agenda for the proactive work resulting in the issuance of discussion papers and other outputs. 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 1 June 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. A challenge for the project is to develop an approach that addresses the shortcomings of IAS 12 and responds more effectively to the needs of users. The publication of a Discussion Paper for public consultation is expected for the first quarter of 2011.
- *Business Combinations under Common Control:* Joint Project of the Italian standard setter OIC and EFRAG with involvement of the French standard setter, 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) in consolidated and separate financial statements. The intention is to develop an approach which is consistent with the Conceptual Framework and provides useful information to assist users of the financial statements understand the impact of BCUCC on the reporting entity. The project is on track at this stage towards finalisation of a preliminary draft by the end of the year.
- *Disclosure Framework:* The project is led by EFRAG, with the involvement of the UK and French Standard Setter – ASB and ANC. The project aims to move beyond describing the problem of a lack of coherence and clutter in the financial report to proposing a solution or model for the presentation and display of information in the financial statements in order to encourage the IASB and other standard setters to reassess the current process to develop disclosure requirements and provide recommendations for the development of a set of principles. An Advisory Panel has recently been established and will meet in its first meeting on July 5. 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 and economic consequences of accounting standards can be considered by standard setters, notably the IASB, in developing new standards and major amendments to existing standards, at all stages of the due process. The project also considers the effects of accounting standards once they have been implemented and the how post-implementation reviews can offer a ‘feedback loop’ in the standard-setting process. The project is on track and the aim is to issue a Discussion Paper for public comment in order to stimulate debate on the topic in 2010.
- *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 an entity’s business model and financial reporting. The project is in an exploratory stage, and other existing projects in this area are being examined. The project is likely to complement other projects given the importance of the business model in understanding financial statements.

The EFRAG PRC decided to launch a public consultation process on the agenda and priorities for EFRAG’s proactive work. The objective is to inform the EFRAG PRC’s decision-making around proactive projects and provide evidence to support where the priorities should lie in the proactive work. The consultation that will be launched this month encompasses both the EFRAG’s current proactive projects, new proposed proactive projects and an invitation for suggesting other new projects, that EFRAG’s constituents see as important for EFRAG to undertake to provide input from a European perspective into the international financial reporting debate.

In addition, the EFRAG PRC decided that EFRAG should organise a public consultation ahead of the IASB public consultation on the IASB agenda post 2011.

EFRAG is about to publish a Strategy for European Proactive Financial Reporting Activities “Focus on Improvement” to drive its pro-active work.

<http://www.efrag.org/news/detail.asp?id=550>

#### **Future meeting**

The next meeting of the EFRAG PRC will take place on 19 October 2010 in London at the ASB offices, and is open to the public.

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