



Invitation to Comment on EFRAG's Draft Endorsement Advice on IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

ICAEW welcomes the opportunity to comment on EFRAG's *Draft Endorsement Advice on IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*, published in February 2017, a copy of which is available from this [link](#).

This response of 21 March 2017 has been prepared on behalf of ICAEW by its Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

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ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

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MAJOR POINTS

1. ICAEW has reviewed EFRAG’s Draft Endorsement Advice on IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration and supports EFRAG’s conclusions. The amendments should be endorsed as soon as possible.
2. We have submitted our comments on-line as requested. A copy of our responses is attached as an appendix.

APPENDIX



European Financial Reporting Advisory Group

INVITATION TO COMMENT ON EFRAG’S ASSESSMENTS ON FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

Comments should be submitted by 17 March 2017 by using the ‘Express your views’ page on EFRAG website or by clicking [here](#)

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (‘IFRIC 22’). In order to do so, EFRAG has been carrying out an assessment of IFRIC 22 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of IFRIC 22 is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRIC 22.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG’s initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of IFRIC 22.

its *Letter to the European Commission* regarding endorsement of the Amendments.

Your details

1 Please provide the following details:

Your name or, if you are responding on behalf of an organisation or company, its name:

ICAEW

Are you a:

Preparer User Other (please specify)

Professional accountancy body

Please provide a short description of your activity:

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the UK Financial Reporting Council. We provide leadership and practical support to over 146,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

Country where you are located:

United Kingdom

Contact details, including e-mail address:

Chartered Accountants' Hall, Moorgate Place, London, EC2R 6EA, UK

Email: frfac@icew.com

Telephone: +44 (0)20 7920 8100

EFRAG's initial assessment with respect to the technical criteria for endorsement

EFRAG's initial assessment of IFRIC 22 is that it meets the technical criteria for endorsement. In other words, IFRIC 22 is not contrary to the principle of true and fair view and meets the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRIC 22.

Do you agree with this assessment?

Yes No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRIC 22 that you believe EFRAG should take into account in its technical evaluation of IFRIC 22? If there are, what are those issues and why do you believe they are relevant to the evaluation?

We believe the aforementioned Appendix 2 sufficiently addresses the issues.

The European public good

In its assessment of the impact of IFRIC 22 on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRIC 22.

Improvement in financial reporting

EFRAG has identified that in assessing whether the endorsement of IFRIC 22 is conducive to the European public good it should consider whether IFRIC 22 is an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 5 of Appendix 3 of the accompanying *Draft Letter to the European Commission*). To summarise, EFRAG's initial assessment is that IFRIC 22 is likely to improve the quality of financial reporting.

Do you agree with the assessment?

Yes No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Costs and benefits

EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRIC 22 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 7 to 14 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRIC 22. To summarise, EFRAG's initial assessment is that IFRIC 22 is likely to result in insignificant costs for users and for most preparers.

Do you agree with this assessment?

X Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

In addition, EFRAG is assessing the benefits that are likely to be derived from IFRIC 22. The results of the initial assessment of benefits are set out in paragraphs 18 to 19 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRIC 22. To summarise, EFRAG's initial assessment is that users and preparers are likely to benefit from IFRIC 22.

Do you agree with this assessment?

X Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

EFRAG's initial assessment is that the benefits to be derived from implementing IFRIC 22 in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 above.

Do you agree with this assessment?

X Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Other factors

Do you agree that there are no other factors to consider in assessing whether the endorsement of IFRIC 22 is conducive to the European public good?

X Yes No

If you do not agree, please identify the factors, provide your views on these factors and indicate how this could affect EFRAG's endorsement advice.

Overall assessment with respect to the European public good

EFRAG has initially concluded that the endorsement of IFRIC 22 would be conducive to the European public good (see paragraphs 21 to 24 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

X Yes No

If you do not agree, please explain your reasons.