

Mr. Jean-Paul Gauzès
President of the EFRAG Board
EFRAG
Square de Meeûs 35
B-1000 BRUXELLES
Belgium

Submitted online

Brussels, 31 May 2018

Subject: 2018 EFRAG's Research Agenda Consultation

Dear Mr. Gauzès,

Accountancy Europe is pleased to provide you with its response on 2018 EFRAG's Research Agenda Consultation. We would like to express our support to EFRAG in improving the effectiveness of its Research activities and new Research topics.

ASSESSING INFLUENCE OF EFRAG RESEARCH ACTIVITIES

We appreciate EFRAG's efforts to influence future standard setting development.

EFRAG Board should continue working with the IASB for the consistent application of IFRS by maintaining a strong relationship while preserving its independence. The coordination and cooperation with the IASB should aim, at least, at the following objectives:

- a. Ensuring that adequate resources are devoted to key projects that are expected to have a significant impact;
- b. Ensuring, where possible, consistency with the IASB's agenda and current projects, although recognising that EFRAG may also undertake proactive research on topics to influence the agenda of the IASB;
- c. Ensuring timeliness and alignment of the EFRAG's and IASB's timelines for any research work to have the desired impact in the standard setting process.

Other ways to have a more powerful relationship with the IASB is the development of the EFRAG impact assessments which will facilitate qualitative observations.

Moreover, we consider the fact that the EFRAG Board cannot modify a standard itself makes it more likely for the IASB to take into consideration the European views and indeed there has been a positive development and promotion of the European views by EFRAG in such a thought-leadership role.

USING EVIDENCE IN EFRAG RESEARCH ACTIVITIES

We applaud EFRAG's commitment to deliver evidence-based work.

We encourage EFRAG to continue gathering evidence as it is a useful tool to assess the issues encountered in practice which afterwards should be properly flagged to the EFRAG Board.

We also suggest EFRAG to develop some qualitative analysis for example on expectations of investors.

LIST OF POTENTIAL TOPICS FOR EFRAG RESEARCH

The IASB's research projects are important and urgent and we believe that EFRAG should prioritize responding to the IASB's consultation documents over its individual research activities.

Nonetheless, there is an urgency for EFRAG to work on the two projects around the theme 'Addressing new developments', even if these are not currently addressed by the IASB. We elaborate below on our reasoning.

EFRAG should conduct research on the future of corporate reporting including technology and non-financial information (NFI) reporting. It is important to perform some work on how these issues fit together in the annual report. There are many matters worthwhile researching in this area, including who the users of NFI are and how a model can be created that will satisfy future reporting needs.

We also recommend EFRAG to closely monitor, and engage with, the IASB's project on the Management Commentary Practice Statement, as this will be one of the focal points for the global discussion on corporate reporting.

This would be in line with the European Commission (EC) Sustainable Finance Action Plan which may result in the EC asking EFRAG to be further involved in research related to broader corporate reporting. We very much support directing research into this area.

Additionally, it would be interesting if EFRAG initiates a research project on the impact of standard setting on the business models, i.e. how IFRs potentially impact the business model (or more widely the decision-making process) of an entity. This is especially important in the role EFRAG will play as part of the EC's sustainable finance agenda. For example:

- what is the impact of IFRS 16 on leasing an asset vs purchasing an asset? Has it changed anything?
- what is the impact of IFRS 15 on the way products / services are sold?
- has IFRS 3 had any impact on the way business combinations are structured?
- what impact IFRS 9 and IFRS 17 might have in the future on the business model.

Moreover, it would be very timely if EFRAG worked (again) on the equity/liability distinction so as to have timely input into, and where needed constructive challenge to the IASB's thinking.

In light of limited resources, we are not convinced that EFRAG should prioritise any research work on the Derecognition, Transaction-related costs and Variable and contingent payment research projects over the other research projects mentioned above.

Addressing new developments

Better information on intangible assets

We are supportive for EFRAG to initiate work in this area. The economy has moved away from primarily relying on tangible assets to relying also on intangible assets, which are often not recognized on the balance sheet. Looking at the financial information alone can no longer represent a complete picture of the company's affairs. The growing and pressing demand from stakeholders to have a better understanding of a company's longer-term value drivers, prospects and risks, including its impact on the environment and on society, necessitates a rethink of corporate reporting, including on intangible assets. Consequently, the requirements under IFRS need to be improved to accommodate the users' needs.

Furthermore, we acknowledge that EFRAG's research project on intangible assets is broader than what the IASB currently plans to start working on i.e. Extractive Activities. However, we are positive that anything developed by EFRAG will serve as ground work to influence the IASB in introducing in its future agenda a wider project on intangible assets.

Investigating other initiatives, as proposed in this consultation paper, will certainly help EFRAG's work.

Cryptocurrencies

We acknowledge that the project will likely require considerable time to be invested before resulting to a reasonable conclusion. However, we consider this project to be important to European constituents.

The current IFRS literature does not provide adequate guidance on issues that prevail from the accounting treatment of cryptocurrencies. This does not result in a good reflection of the underlying economic effects of such transactions and events. Addressing this topic as well as 'Initial Coin Offerings' (ICOs) will enhance the quality of financial reporting.

Several organizations such as the International Organisation of Securities Commissions (IOSCO) and the Financial Accounting Standard Board (FASB) are currently discussing this topic. EFRAG could start its evaluation based on the work from the other organizations, or cooperate with them, to avoid duplication of resources.

We are also aware that the IASB Board will discuss whether to add a research project on Commodity loans and related transactions¹ at a future meeting that may investigate certain aspects of the issues associated with the accounting of cryptocurrencies. EFRAG should interact with the IASB at an early phase of its project to have an impact on any future standard setting activities.

¹ IASB Update January 2018, 'Implementation Issues in IFRS Standards'. Available at: <http://www.ifrs.org/news-and-events/updates/iasb-updates/january-2018/#4>



**ACCOUNTANCY
EUROPE.**

For further information on this letter, please contact Eleni Ashioti on +32 (0)2 8933387 or via email at elenia@accountancyeurope.eu from the Accountancy Europe team.

Sincerely,

A handwritten signature in blue ink, appearing to be 'O. Boutellis-Taft'.

Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 37 countries that represent **1 million** professional accountants auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-180)