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## Proposal to enhance IFRS quality control

Dear Hans

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on EFRAG's Draft Letter to the IASB on proposals to enhance IFRS quality control.

We agree with EFRAG's observation that not all IASB publications issued recently met the criterion of high quality.

However, we do not support making public review drafts a mandatory step of the due process as we do not see the public's involvement safeguarding the necessary level of understanding unintended consequences. The use of fatal flaw reviews should be made more transparent though by, e.g., publishing the extent of application and summarised results. In addition, those reviews should either be performed with internal resources of the IASB or, if this is not feasible, the external resources used should be disclosed to enhance transparency.

We do not share EFRAG's view on the example of Revenue Recognition: the time and effort IASB und FASB invested between the second Exposure Draft and issuing the final text was likely well spent (the implementation is only starting now). It is such targeted and focussed consultation including industry specific issues that contributes to the quality by the IASB's increased understanding of its constituents.

Furthermore, on numerous occasions we have reported that IFRS 11 does not seem to have caused severe implementation problems in Germany. This is in part due to the pervasiveness of accounting options used under IAS 31 and in part due to structures used for joint arrangements.



We do not support EFRAG's proposal of inserting a specific implementation stage after publishing the final text. We do not believe that publication of a text that might be changed after a defined period gives the signal that implementation efforts could be started on a large scale. Those who tend to early adopt new requirements might continue to do so; there have always been those who wait until the last minute.

Furthermore, giving a group the authority to change the text will, in our opinion, lead more often to hesitation rather than going ahead. While early adopters would still prefer to contribute to shaping practice, others might want to wait for certainty; after all, some of the new standards trigger vast investments in people and systems.

There is only limited experience with transition groups at this stage. We support the limited scope for activities as we believe that the IASB should not delegate any responsibility for its pronouncements. However, the terms of reference and the outcome envisaged should be made more transparent.

As regards EFRAG's expectation that an implementation stage would lead to a significant reduction in the number of requests to the IFRS Interpretations Committee, we do not concur with the implicit assertion made. We do not deem the number of requests for interpretations by themselves being an indicator for flaws particularly in the recently published standards. They might equally be seen as an indicator for the extent of likely changes to current practice; entities seek comfort in finding an appropriate accounting treatment.

Last, but not least, completing the endorsement process after the implementation stage would, to a large extent, pre-empt the outcome of the process: rejecting a standard implemented on a large scale would likely cause severe unrest amongst constituents. It is not unlikely that many companies will defer significant decisions in the implementation process (which are cost-intensive) until the endorsement process is finalised.

If you would like to discuss any aspects of our comments in detail, please do not hesitate to contact me.

Yours sincerely,

*Liesel Knorr*

President