

EFRAG – European Financial Reporting Advisory Group
35 Square de Meeûs
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Belgium
Att.: Mr. Jean-Paul Gauzes, President of EFRAG

By e-mail: Commentletters@efrag.org

31 May 2018

Dear Mr. Gauzes,

EFRAG 2018 Research Agenda Consultation

The Danish Accounting Standards Committee (DASC) set up by FSR – Danish Auditors is pleased to provide you with our comments to the 2018 EFRAG Research Agenda Consultation.

We believe that EFRAG has been very successful in influencing the developments of Global Financial Reporting Standards and IFRS in particular via the EFRAG research work – one might mention the work on Revenue Recognition, on Disclosure Framework and on Business Model amongst many good projects over the years.

We believe one of the most pressing subjects in reporting today is thought leadership on the future of corporate reporting, where we believe EFRAG should perform work (research activity) in relation to

1. The influence of technology on the presentation of financial information (FI) and
2. Non-Financial information (NFI) including sustainability and how to integrate FI and NFI in a balanced way to the benefit of users.

We acknowledge EFRAG will not today be able to perform such work due to EC budget limitations, but we strongly encourage EFRAG to persuade the EC and the European Parliament about the importance of the topic and about securing EFRAG's position as a suitable organisation fit for purpose performing the thought leadership of relevant reporting themes as they develop over time.

Influence

We strongly support the objective of EFRAG to provide thought leadership. Having said that it is also very important to influence on IASB projects and also on the IASB agenda.

However, we believe that EFRAG does not only have influence via the research activities but in other ways such as high quality Draft Comment Letters, final Comment Letters and via Impact assessments.

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Using evidence in EFRAG Research Activities

Use of evidence-based work and the gathering of evidence is a powerful way of demonstrating and assessing the issues encountered in practice. We support EFRAG to use evidence in its research activities, combined with discussions and/or original thinking to develop ideas. In some respects, qualitative analysis might also be useful.

Potential Topics

DASC believes that EFRAG must select major projects with a wide interest in Europe in general and projects with potential to significant influence on IASB work and agenda. These two points are very important to us and a basis for our evaluation. We do not support EFRAG to carry out research work on small and narrow issues only of interest to a limited group such as deep accounting technicians. Another measurement yardstick is whether a potential funder of EFRAG would find it worthwhile to fund a potential project and, therefore, projects should be appealing to as wide an audience in Europe as possible. What should also be considered is whether a research topic has already been exhausted by others.

EFRAG has proposed five projects:

1. ***Intangible assets*** – we find the project interesting because intangible assets are much more important for companies today than before. However, we find the work should only be carried out on improved disclosure because various standard setters have over the years explored recognition and measurement without getting anywhere. A project on recognition and measurement will at best have very long term influence on the IASB, unless EFRAG finds the Holy Grail. We support a project on disclosure and it will potentially be of significant interest because 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. Consequently, the requirements under IFRS need to be improved to accommodate the users' needs.
2. ***Cryptocurrencies*** – it is a very interesting subject and it might be of interest for some European constituents. However, there seems to be many other organisations taking up the challenge. In addition, we expect the project to be likely to require considerable time to be invested to get to a reasonable conclusion. Therefore, we think EFRAG will utilise the resources better by starting its evaluation based on the work from the other organisations to avoid duplication of resources. However, one way could be for EFRAG to collaborate with one or more of the standard setters that have started looking into this area.
3. ***Derecognition*** – we do not find the topic timely to be a project because IASB has just issued the revised Conceptual Framework, and it may take a very long time before the subject will influence on IASB and IFRS.

4. **Transaction-related costs** – we simply find this subject too small and narrow.
5. **Variable and contingent payments** - we find this topic interesting, but more of a secondary importance and only to be considered if resources permit.

Other Topics

We find that EFRAG will be able to influence IASB if it undertook a project on financial instruments with characteristics of equity or put in other words the equity/liability split. The subject is of significant interest in Europe, and EFRAG might be able to have a timely Continental European influence on the IASB thinking. EFRAG can allow itself to be both conceptual and also be able to provide practical solutions. In addition, EFRAG can create a European debate on a very contentious subject. It might require quite a wide and necessary debate on reporting in Europe.

We believe one of the most pressing subjects in reporting today is thought leadership on the future of corporate reporting where we believe EFRAG at least should perform work (research activity) in relation to:

1. The influence of technology on the presentation of financial information (FI) and
2. Non-Financial information (NFI) including sustainability and how to integrate FI and NFI in a balanced way to the benefit of users.

It might be necessary to consider who the users of NFI are, and how NFI influences the capital providers in addition to other users. In addition, it might be beneficial for EFRAG to make a European evaluation of Integrated Reporting.

We acknowledge EFRAG will not today be able to perform such work due to EC budget limitations, but we strongly encourage EFRAG to persuade the EC and the European Parliament about the importance of the topic and about EFRAG being a suitable organisation to perform the thought leadership.

Should you have any questions, please do not hesitate to contact Jan Peter Larsen, e-mail: janlarsen@deloitte.dk.

Kind regards

Jan Peter Larsen

Ole Steen Jørgensen

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