

Mr. Andreas Barckow
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Submitted via website

Brussels, 13 July 2021

Subject: Accountancy Europe comment letter - IASB's Third Agenda Consultation, EFRAG's Draft Comment Letter and own Proactive Research Agenda Consultation

Dear Mr. Barckow,

Dear Mr. Gauzès,

We are pleased to respond to the:

- International Accounting Standards Board (IASB or Board) Request for Information – Third Agenda Consultation (Rfi),
- the European Financial Advisory Group (EFRAG)'s the draft comment letter (DCL), and
- EFRAG's Request for Input on its Proactive Research Agenda (EFRAG's proactive research agenda consultation).

Accountancy Europe compliments the IASB for the work done in the past 5 years: the Board completed many large and important financial reporting projects. Equally, we congratulate EFRAG on its contribution to ensuring that financial reporting standards applied in the European Union (EU) are conducive to the European public good.

Hereinafter we provide a summary of our feedback to the Rfi.

IASB's main activities

Accountancy Europe agrees with the current level of focus attributed for each activity.

We strongly support that the future International Sustainability Standards Board (ISSB) and IASB interact and coordinate to ensure interconnected standard-setting. Once the ISSB is up and running, we suggest that “coordination between the ISSB and the IASB” be part of the main activities for both boards. Safeguarding resources for the coordination of the two boards is reasonable, particularly in the first years the ISSB is operating, however, the IASB resources should remain independent and unaffected from the overall activities and resource needs of the ISSB.

We appreciate the Board's considerations on digitalisation and the International Financial Reporting Standards (IFRS) Taxonomy. However, we suggest the IASB considers digitalisation more comprehensively and integrates it in its work on other main activities.

Criteria for assessing projects

Accountancy Europe agrees with the proposed seven criteria to use when assessing the priority of financial reporting issues that could be added to the workplan. However, we suggest the IASB formalise the last three 'practical' criteria by adding them to the Due Process Handbook.

High priority financial reporting projects

Accountancy Europe supports that the IASB firstly finalises the projects currently in its workplan as these projects were identified by stakeholders in the 2015 Agenda Consultation or, in the case of the Post Implementation Reviews of standards (PIRs), are required by the Handbook.

We suggest the IASB plans the PIRs on a need basis, in order to maximise resource efficiencies. In addition, the Board may hand over the Management Commentary project to the ISSB as it could fit better within the ISSB's remit on tackling enterprise value. The IASB should continue to coordinate with the ISSB on this project, but this would require less resources than in the current situation.

Accountancy Europe suggests the IASB considers the following projects as high priority in its 2022-2026 workplan:

- sustainability in IFRS standards (including climate-related disclosures and pollutant pricing mechanisms)
- going concern
- intangible assets
- crypto-assets/liabilities and
- statement of cash flows and related matters.

Sustainability in IFRS standards

IFRS standards should capture the effects of environmental, social and governance (ESG) factors on financial reporting. Therefore, we suggest the IASB takes a comprehensive approach in addressing sustainability topics in financial reporting by:

- screening current IFRS standards to understand where/how sustainability factors should be taken into account in existing judgments, estimates and measurements
- ensuring current requirements in various IFRS standards are applied considering sustainability factors
- complementing existing IFRS standards with additional requirements to address these topics and provide additional IFRS sustainability-related disclosures and
- develop additional requirements in IFRS to address pollutant pricing mechanisms, to address the current diversity in practice due to the lack of guidance for the different existing schemes.

Going concern

Accountancy Europe strongly believes that there is a need to strengthen the financial reporting ecosystem, including addressing and communicating going concern considerations. We issued two important publications where we provide recommendations on going concern¹ and fraud².

Therefore, we suggest the IASB undertakes a large project on going concern which could address:

- disclosures on how the reporting entity identifies, monitors and manages risks to going concern
- disclosures on explaining an entity's long-term strategy and risks associated with it
- disclosures on how and why management reached their going concern assessment, even if there are no uncertainties
- the basis of preparation when an entity is no longer a going concern.

Intangible assets

Accountancy Europe supports a comprehensive review of IAS 38 *Intangible Assets* (IAS 38) to:

- better reflect the ever-increasing importance of intangibles in today's business models, including internally-generated intangible assets
- improve comparability between companies that grow organically with those that do so through acquisitions, and
- address emerging types of transactions and assets, including crypto-assets (i.e. more broadly than just cryptocurrencies) and emissions trading rights.

The IASB should coordinate with the ISSB as many of these topics, including internally-generated intangibles are also material to enterprise value. Nonetheless, it is important to determine the scope of both boards from the beginning in order to avoid inconsistencies and duplications.

¹ Accountancy Europe (2021), *Going concern: Recommendations to strengthen the financial reporting ecosystem*, see: <https://www.accountancyeurope.eu/publications/going-concern-recommendations-to-strengthen-the-financial-reporting-ecosystem/>

² Accountancy Europe (2021), *Fraud: Recommendations to strengthen the financial reporting ecosystem*, see: <https://www.accountancyeurope.eu/publications/fraud-recommendations-to-strengthen-the-financial-reporting-ecosystem/>

Crypto-assets/liabilities

Accountancy Europe acknowledges the evolution in crypto-assets/liabilities, more broadly than crypto-currencies, and suggests the IASB addresses the topic in a comprehensive project to develop guidance for these items and transactions. Depending on the results of the project and if applicable, the IASB could maximise efficiencies leveraging the work already done by EFRAG.

Statement of cash flows and related matters

Accountancy Europe suggests undertaking a comprehensive review of IAS 7 *Statement of Cash Flows* (IAS 7) to address current practical issues such as reconciliation and categories alignment between the statement of cash flows and other primary financial statements, supply chain financing arrangements (including reverse factoring) and presentation of the cash flow statement for financial institutions.

* * *

We kindly refer to Annexes 1 – 4 of this letter for our detailed responses.

Please do not hesitate to contact Jona Basha (jona@accountancyeurope.eu) in case of any questions or remarks.

Sincerely,



Olivier Boutellis-Taft

Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 50 professional organisations from 35 countries that represent close to 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 4713568401-18).

ANNEX 1: IASB RFI – QUESTIONS FOR RESPONDENTS

We are pleased to provide below our detailed responses to the questions.

Question 1 - Strategic direction and balance of the Board's activities

The Board's main activities include:

- *developing new IFRS Standards and major amendments to IFRS Standards;*
- *maintaining IFRS Standards and supporting their consistent application;*
- *developing and maintaining the IFRS for SMEs Standard;*
- *supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;*
- *improving the understandability and accessibility of the Standards; and*
- *engaging with stakeholders.*

Paragraphs 14–18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.

(a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.

(b) Should the Board undertake any other activities within the current scope of its work?

- (1) Accountancy Europe compliments the International Accounting Standards Board (IASB or the Board) for the work done in the past 5 years. The Board completed many large and important financial reporting projects.
- (2) We appreciate and support the International Financial Reporting Standards (IFRS) Foundation (Foundation) Trustees expanding the role of the Foundation and establishing an independent International Sustainability Standards Board (ISSB) to develop sustainability reporting standards. Based on the Foundation's Feedback Statement on the *Consultation Paper on Sustainability Reporting*,³ it is our understanding that there was a large agreement to proceed with setting up an ISSB. Accountancy Europe's Cogito Paper *Interconnected standard setting for corporate reporting*⁴ and the respective *Follow-up Paper*⁵ also advocated for the IFRS Foundation to play a role in sustainability reporting standard-setting.

³ IFRS Foundation, *IFRS Foundation Trustee's Feedback Statement on the Consultation Paper on Sustainability Reporting*, see: <https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf>

⁴ Accountancy Europe (2019), *Interconnected standard setting for corporate reporting*, see: <https://www.accountancyeurope.eu/publications/interconnected-standard-setting-for-corporate-reporting/>

⁵ Accountancy Europe (2020), *Follow-up paper: Interconnected standard setting for corporate reporting*, see: <https://www.accountancyeurope.eu/publications/follow-up-paper-interconnected-standard-setting-for-corporate-reporting/>

- (3) We strongly support that the ISSB and IASB interact and coordinate to ensure interconnected standard-setting. Once the ISSB is up and running, we suggest that “coordination between the ISSB and the IASB” should be part of the IASB’s and ISSB’s main activities.
- (4) It will be particularly important for the two boards to coordinate on the Management Commentary project (currently in the IASB’s workplan) as well as in future IASB projects such as:
 - a. sustainability in IFRS standards
 - b. going concern, and
 - c. intangible assets (for details on these three projects please refer to paragraphs 25 – 37).
- (5) Establishing the ISSB is almost certain, therefore, we suggest the IASB plans its main activities and resources accordingly. Safeguarding resources for the coordination between the two boards is reasonable, particularly in the first years the ISSB is operating. However, we emphasise that the IASB resources should remain independent and unaffected from the overall activities and resource needs of the ISSB.
- (6) In addition to our comments above in relation to coordination with the ISSB, we broadly support the (other) six main activities as described in paragraph 14 of the Rfl. However, the following paragraphs provide additional considerations on some of those main activities.

IFRS for SMEs Standard

- (7) We support the current level of focus (5%) and note that even though it may not be the case for Europe, there are many jurisdictions around the world where the IFRS for SMEs Standard is either required or permitted, or under consideration to do so. Therefore, the Board should continue developing and maintaining this standard.

Developing new IFRS Standards and major amendments to IFRS Standards

- (8) We support the current level of focus (40% - 45%) as we consider this to be the main activity of the Board, in which the most resources should be invested.
- (9) We agree that between 2022 – 2026, the Board considers undertaking post-implementation reviews (PiR) of IFRS 9 *Financial Instruments* (IFRS 9), IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) and IFRS 16 *Leases* (IFRS 16). IFRS 9 and IFRS 15 have been effective for 3 reporting years, whereas IFRS 16 has been effective for 2 years. Therefore, a PiR on these standards complies with paragraph 6.48 of the IFRS Due Process Handbook (Handbook).
- (10) However, we suggest the IASB focuses on the need to conduct PiRs, not merely on the time the respective standard has been effective for. In this regard and in compliance with paragraph 6.52 of the Handbook, the IASB could undertake a preliminary assessment after two years of implementation and decide to postpone publishing a Rfl for the PiR if it finds that there is no pressing need to undertake the PiR.
- (11) Prioritising PiRs on a need basis, would help the Board focus its resources on the most important issues at a specific point in time. In addition, it would allow stakeholders to get used to applying the new standard in practice and thus enable them to evidence the real problems with it.

- (12) In the longer term, the purpose and process of PiRs in the Handbook could be revisited, particularly when considering the contributions of Transition Resource Groups (TRGs) to addressing early implementation issues. We note that TRGs are a relatively recent addition to the IASB's toolkit for addressing implementation issues, and their use may result in less of a need for an automatic full-scope PiR two years after a Standard has been implemented.

Supporting digital financial reporting by developing and maintaining the IFRS Taxonomy

- (13) We support the IASB's current level of focus (5%) dedicated to developing and maintaining the IFRS Taxonomy. As part of this activity and current level of focus, we suggest the IASB continues to update the IFRS Taxonomy in parallel to issuing new or amended IFRS (i.e. standards should be developed to be digital friendly).
- (14) We appreciate the Board's considerations on how digitalisation may improve the way the Board writes standards. Digitalisation is broader than the IFRS Taxonomy and should be considered more comprehensively as part of the IASB's standard-setting activities. To this end, digitalisation should be integrated into and be part of the current level of focus of the IASB's main activities.
- (15) As per the above, the IASB may need to invest resources in the short term to further digitalise its work across all of its main activities. Investing a share of the resources planned for all activities to digitalisation in the beginning, would result in less time being spent in these activities in the future as digitalisation improves efficiencies. However, overall and in the long-term the current level of focus would remain unchanged.
- (16) Digitalisation may help in evidencing duplications, inconsistencies, and loopholes between:
- a. future and existing IFRS standards
 - b. future standards and the Conceptual Framework
 - c. existing standards (and one-another), and
 - d. existing standards and the Conceptual Framework.
- (17) Digitalisation would also improve efficiencies in the future coordination between the IASB and ISSB by evidencing anchor points/items for connectivity in financial and sustainability reporting. In addition, it may improve the efficiency of the potential extra work identified by the Board for this activity (e.g., in creating an inventory of areas of complexity in existing IFRS and in facilitating analysis).
- (18) Finally, digital-friendly approaches to consultations, as part of activity 'engaging with stakeholders' within the current level of focus of 20% - 25%, could allow the IASB to expand its stakeholder engagement without a corresponding increase in resources. In time, this could also improve efficiency in analysing responses and reduce the time taken in developing IFRS Standards.

Question 2 - Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

(a) Do you think the Board has identified the right criteria to use? Why or why not?

(b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

- (19) Accountancy Europe agrees with the proposed seven criteria to use when assessing the priority of financial reporting issues that could be added to the workplan, as per Table 2 of the RfI. Whilst only the first four criteria are part of the Handbook, the Board has used the ‘practical’ criteria (the last three in the list) previously, e.g., in its 2015 Agenda Consultation. Therefore, we suggest the IASB adds these ‘practical’ criteria to the Handbook in its next revision to ensure they go through the appropriate consultation and due process.
- (20) During the years, we have noted coinciding timing, including deadlines, of many large projects, resulting in stakeholders having to make choices on where to focus their resources and which consultations to respond to. Such is the case for the IASB and IFRS consultation wave of Spring 2021. Formalising the practical criteria 7 “the capacity of the Board and its stakeholders to make timely progress on the potential project” may help ease these concerns in the future.
- (21) Finally, we would encourage the IASB to adopt an informal practice and provide explanations on how these criteria are being applied and met when defining its workplan. For example, explaining how it has assessed the importance of a matter to investors, and explaining its conclusions on the complexity and feasibility of a project and its potential solutions. Such explanations may improve the transparency on how the IASB assesses and reconsiders priorities.

Question 3 - Financial reporting issues that could be added to the Board’s work plan

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board’s work plan.

- (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.*
- (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:*
- (i) the nature of the issue; and*
 - (ii) why you think the issue is important.*

- (22) We support that the IASB firstly finalises the projects currently in its workplan as these projects were identified by stakeholders in the 2015 Agenda Consultation or, in the case of the PiRs, are required by the Handbook. The Board could plan the PiRs on a need basis, as noted in paragraphs 10 – 12. The Board could also assess the probability of success of older existing projects and decide a way forward based on the current state of play in the respective topics.
- (23) In addition, we suggest the IASB considers handing over the Management Commentary project to the ISSB as soon as it is set up and running. This project could fit better within the ISSB (potential future) remit on tackling enterprise value and may free up resources for the IASB to tackle more financial reporting standard-setting issues.

(24) Accountancy Europe suggests the IASB considers the following projects as high priority in its 2022-2026 workplan:

- sustainability in IFRS standards (including climate-related disclosures and pollutant pricing mechanisms)
- going concern
- intangible assets
- crypto-assets/liabilities
- statement of cash flows and related matters.

Sustainability in IFRS standards

(25) We appreciate the IASB's consideration of potential projects on climate-related risks and pollutant pricing mechanisms. There is diversity in practice due to the lack of guidance for the different existing schemes.

(26) However, we note that other sustainability topics beyond those that are climate-related, such as social issues or internally-generated intangibles, also affect financial reporting. Therefore, we suggest the Board takes a more comprehensive approach in addressing sustainability topics, including their impacts on financial reporting, as part of its financial reporting standard-setting activities.

(27) The IASB could extend the ideas in paragraph B11 of the RfI to other IFRS standards and undertake a large project to ensure that financial reporting requirements are fit for purpose given the elevated relevance of environmental, social and governance (ESG) factors. This project would:

- screen current IFRS standards (see paragraphs 29 – 31) to understand where/how sustainability factors should be taken into account in existing judgments, estimates and measurements
- ensure current requirements in various IFRS standards are applied considering sustainability factors
- complement existing IFRS standards with additional requirements to address these topics and provide additional IFRS sustainability-related disclosures
- develop additional requirements in IFRS to address pollutant pricing mechanisms, and thereby respond to the current diversity in practice due to the lack of guidance for the different existing schemes .

IFRS standards should adequately capture the effects of environmental, social and governance (ESG) factors on financial reporting. Any additional disclosures as a result of this project would not be disclosures material to enterprise value, which are under the remit of the ISSB.

(28) Taking sustainability factors into consideration in judgments, estimates and measurements in IFRS (e.g. by allowing to capitalise certain investments, or consider certain qualitative aspects in impairment testing) may strengthen the focus to long-term performance, evidence the links and

anchor points in IFRS in relation to sustainability factors, and enable interconnected corporate reporting.

- (29) The IASB's educational material on climate-related matters⁶ already highlighted how climate matters may be material to judgements and estimates management has made in applying the current provisions of IFRS standards. In addition to the referred standards in this material, climate considerations may be extended to:
- IFRS 15 with respect to measurement and disclosures (e.g. contract modifications),
 - IAS 40 *Investment Property*, IAS 41 *Agriculture*, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5), IFRS 6 *Exploration for and Evaluation of Mineral Resources* under the fair value measurement and impairment considerations as per the IASB's educational material.
- (30) All the aforementioned considerations should also be extended to other sustainability topics and be included in IFRS standards.
- (31) The Climate Disclosure Standards Board (CDSB) report *Accounting for Climate: Integrating climate-related matters into financial reporting*⁷ also provides interesting examples and ideas on how to integrate climate-related matters into financial reporting.
- (32) Therefore, the IASB should build on its previous work and that of the CDSB when undertaking such a project.

Going concern

- (33) Accountancy Europe strongly believes that there is a need to strengthen the financial reporting ecosystem, including addressing and communicating going concern considerations. This was confirmed by recent corporate failures, and the coronavirus pandemic. The latter further evidenced that long-term resilience and sustainability are dependent on the entity's ability to continue as a going concern.
- (34) IFRS standards should be more ambitious when addressing going concern. We note that there is very limited guidance (two paragraphs) in IAS 1 *Presentation of Financial Statements* (IAS 1) on assessing and reporting on the risks to a company's ability to continue as a going concern. In contrast, auditing standards devote an entire standard to the subject (International Standard on Auditing (ISA) 570 *Going Concern*). Even though auditors are in the spotlight on this matter, particularly in the event of a corporate crisis, management should improve disclosures and provide more information in the notes on going concern.

⁶ IASB (2019), *Effects of climate-related matters on financial statements*, see: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf>

⁷ CDSB (2020), *Accounting for Climate: Integrating climate-related matters into financial reporting*, see: <https://www.cdsb.net/climateaccounting>

(35) We issued two important publications where we provide recommendations on going concern⁸ and fraud⁹. Therefore, we suggest the IASB undertakes a large project on going concern which could address:

- disclosures on how the reporting entity identifies, monitors and manages risks to going concern
- disclosures on explaining an entity's long-term strategy and risks associated with it
- disclosures on how and why management reached their going concern assessment, even if there are no uncertainties
- the basis of preparation when an entity is no longer a going concern.

Intangible assets

(36) We suggest the IASB undertakes a comprehensive review of IAS 38 *Intangible Assets* (IAS 38), marked by the IASB as a large project to:

- better reflect the ever-increasing importance of intangibles in today's business models, including addressing internally-generated intangible assets¹⁰, by revising the definitions and capitalisation requirements of IAS 38
- improve comparability between companies that grow organically with those that do so through acquisitions, by reconsidering the conditions for capitalisation. IFRS 3 *Business Combinations* (IFRS 3) allows recognising identifiable intangible assets from an acquisition, whilst such an option is currently not permitted under IAS 38 for (perhaps very similar) internally-generated intangible assets.
- address emerging types of transactions and assets, including emissions trading rights and crypto-assets (i.e. more broadly than just cryptocurrencies), depending on the outcome of the project on crypto-assets/liabilities as provided in paragraphs 38 – 40.

(37) The IASB should coordinate with the ISSB in undertaking a comprehensive project on IAS 38 as many of these topics, particularly internally-generated intangibles, also affect how a company creates and maintains long-term value. These issues are also material to enterprise value, and would therefore, also be in scope of the ISSB. Nonetheless, it is important to determine the scope of both the IASB and ISSB from the beginning in order to avoid inconsistencies and duplications.

Crypto-assets/liabilities

(38) Investments in crypto-assets/liabilities, more broadly than crypto-currencies, continue to evolve and are increasingly becoming a recurring element in the financial statements. Therefore, we

⁸ Accountancy Europe (2021), *Going concern: Recommendations to strengthen the financial reporting ecosystem*, see: <https://www.accountancyeurope.eu/publications/going-concern-recommendations-to-strengthen-the-financial-reporting-ecosystem/>

⁹ Accountancy Europe (2021), *Fraud: Recommendations to strengthen the financial reporting ecosystem*, see: <https://www.accountancyeurope.eu/publications/fraud-recommendations-to-strengthen-the-financial-reporting-ecosystem/>

¹⁰ Internally-generated intangibles include items such as technology, branding, relationships in the supply chain.

suggest the IASB addresses the topic in a comprehensive project to set up a guidance in accounting for different types of crypto-assets/liabilities.

- (39) The IASB should seek to maximise efficiencies wherever possible by building on the work done at national level, including for example, the European Financial Reporting Advisory Group's (EFRAG) research¹¹. Particularly, the IASB should consider the results from the feedback to EFRAG's Discussion Paper on the Accounting for Crypto-Assets (Liabilities)¹² in tackling cryptos and related transactions and related transactions.
- (40) Depending on the results of the project and, if applicable, the IASB could also address crypto-assets/liabilities under the scope of the comprehensive review of IAS 38, or by considering the results of the IFRS 9 PiR.

Statement of cash flows and related matters

- (41) Accountancy Europe notes that there are application inconsistencies and gaps in IAS 7 *Statement of Cash Flows* (IAS 7). Therefore, we suggest undertaking a comprehensive review of IAS 7 to address current issues such as:
- reconciliation between the statement of cash flows and other primary financial statements
 - supply chain financing arrangements (including reverse factoring)
 - misalignments of definitions of and classifications in the 'investing' and 'financing' categories with those of the final proposals following IASB's Exposure Draft *General Presentation and Disclosures* (PFS ED) (for more details, please refer to our response to the PFS ED¹³) as well as definitions in IAS 7 more generally
 - presentation of the cash flow statement for financial institutions
 - other practical issues, including addressing restricted cash and enabling a better understanding of companies' liquidity situation.
- (42) Please refer to the table in Annex 2 which summarises Accountancy Europe's opinion on the priority the IASB should give to the potential projects as per Appendix B of the Rfl.

Question 4 – Other comments

*Do you have any other comments on the Board's activities and work plan?
Appendix A provides a summary of the Board's current work plan.*

- (43) No other comments provided.

¹¹ EFRAG, *EFRAG Research Project on Crypto-assets*, see: <https://www.efrag.org/Activities/1803070811391795/EFRA-Research-project-on-Crypto-Assets>

¹² EFRAG (2020), *Discussion Paper Accounting For Crypto-assets(liabilities): Holder and issuer perspective*, see: <https://www.efrag.org/News/Project-430/EFRA-Discussion-Paper-on-the-accounting-for-crypto-assets-liabilities---holder-and-issuer-perspective>

¹³ Accountancy Europe (2020), *IASB's Exposure Draft – General Presentation and Disclosures (Primary Financial Statements) & EFRAG's draft comment letter*, see: <https://www.accountancyeurope.eu/consultation-response/iasbs-exposure-draft-general-presentation-and-disclosures-primary-financial-statements-efrags-draft-comment-letter/>

ANNEX 2: ACCOUNTANCY EUROPE'S PRIORITISATION OF THE IASB'S POTENTIAL PROJECTS IN THE RFI

Potential project	Priority	Rationale
Borrowing costs	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Climate-related risks	High (as part of addressing sustainability in IFRS standards)	We suggest the IASB addresses this topic as part of a more comprehensive project on sustainability-related financial disclosures. Please refer to our comments in paragraphs 25 – 32.
Commodity transactions	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Cryptocurrencies and related transactions	High (potentially address as part of IAS 38 of IFRS 9)	See paragraphs 38 – 40.

Discontinued operations and disposal groups	Medium	We acknowledge that there are practical and conceptual challenges with IFRS 5. Therefore, we support keeping this topic in the IASB's research pipeline projects, as it currently stands. The IASB could firstly undertake a PIR of IFRS 5 to clearly understand the problems and underlying reasons with the standards, as well as how to tackle them.
Discount rates	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Employee benefits	Medium	<p>Post-employment benefits plans have evolved and share characteristics beyond what IAS 19 classifies as defined benefit or defined contribution plans. The Board has recently issued Exposure Draft: Disclosure Requirements in IFRS Standards – A Pilot Approach¹⁴, where the proposed disclosure requirements are applied to IAS 19 as well.</p> <p>We suggest the Board evaluates the outcomes of this Exposure Draft and afterwards get further input on how to tackle concerns with IAS 19.</p>
Expenses – Inventory and cost of sales	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Foreign currencies	Low	We recognise that there are gaps in IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> arising from practice. However, we suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.

¹⁴ IASB (2021), *Exposure Draft: Disclosure Initiative – Targeted Standards-level Review of Disclosures*, see: <https://www.ifrs.org/projects/work-plan/standards-level-review-of-disclosures/#current-stage>

Going concern	High	Please refer to paragraphs 33 – 35 of our response.
Government grants	Medium	<p>We recognise the challenges with IAS 20 <i>Accounting for Government Grants</i> as provided in paragraph B40 of the Rfl. Some of these challenges were particular emphasised during the coronavirus crisis and the respective accounting issues raised from various forms of government support provided.</p> <p>Therefore, we support undertaking a medium-sized project on the topic, only after having addressed higher priority projects as noted in paragraphs 25 – 41 above.</p>
Income taxes	Medium	<p>We acknowledge that IAS 12 <i>Income Taxes</i> (IAS 12):</p> <ul style="list-style-type: none"> • shows some inconsistencies with the Conceptual Framework • is not up to date with the latest thinking in taxation and the respective disclosures. <p>On the former, we suggest considering it as part of the Board’s activity on digitalisation and improving understandability of IFRS. Digitalisation can help improve efficiencies and result in better-aligned standards.</p> <p>We support a comprehensive review of IAS 12, however, considering the resources availability and other higher priority financial reporting issues, we suggest the IASB addresses this topic after having finalised such projects. We strongly suggest the IASB collaborates with, and builds on, the work done by national standard-setters on this topic in order to maximise efficiencies.</p>
Inflation	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Intangible assets	High	See paragraphs 36 - 37.

Interim financial reporting	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Negative interest rates	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Operating segments	Medium	<p>We suggest the Board undertakes a medium-sized project by making targeted improvements to the segment aggregation criteria and disclosures. The IASB should maximise resource efficiency by building on its previous work and the work of national standard-setters.</p> <p>However, such a project should be undertaken after having addressed higher priority projects as noted in paragraphs 25 – 41 above</p>
Other comprehensive income	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.
Pollutant pricing mechanisms	High (as part of addressing sustainability in IFRS standards)	We suggest the IASB addresses this topic as part of a more comprehensive project on sustainability-related financial disclosures. Please refer to our comments in paragraphs 25 – 32.
Separate financial statements	Low	We suggest the IASB sets this project aside considering the resource constraints and the need to address other higher-priority projects.

Statement of cash flows and related matters	High	See paragraph 41 of our response.
Variable and contingent consideration	Medium	<p>We acknowledge the challenges provided in paragraphs B80 and B81 of the Rfl and appreciate that there are application inconsistencies in this area. We support developing a consistent approach to reporting variable and contingent consideration for all IFRS standard, i.e. undertaking a large project on the topic.</p> <p>Nonetheless, considering the resources availability and other higher priority financial reporting issues, we suggest the IASB addresses this topic after having finalised such projects.</p>

ANNEX 3: EFRAG DCL – QUESTIONS TO CONSTITUENTS

Question

In addition to your comments on EFRAG's tentative responses to the four questions contained in the IASB's RFI, we invite you to express your view on the tentative priority assignment presented by EFRAG in Attachment A.

- Which are the 6 priority projects that the IASB should undertake as new projects for the period 2022-2026 (you may select from the two lists in Attachment A or suggest other projects)? If you suggest other projects, please specify the scope.*
- Regarding the suggested project on 'Connecting financial and sustainability reporting' (paragraphs 41 and following), do you consider that the consideration of climate-related financial implications should be part of that project or be addressed as a separate project?*

- (44) Please refer to paragraphs 25 – 41 for Accountancy Europe's classification of high-priority projects to be undertaken by the IASB for the period 2022 – 2026, as well as to Annex 2 for feedback on other projects suggested in the Rfl.
- (45) As per paragraphs 25 – 32 of our response, we agree that the consideration of climate-related financial implications should be part of a bigger project addressing the impacts of sustainability factors in financial reporting under the current IFRS provisions.

ANNEX 4: EFRAG PROACTIVE RESEARCH AGENDA CONSULTATION – QUESTIONS TO CONSTITUENTS

Question

Do you agree that the most important projects for which EFRAG should perform proactive activities, would be those:

- a) European constituents consider most important to address in relation to the IASB's agenda consultation (that is the projects listed in Attachment A (on page 18 above) and in Attachment B (on page 21 above); and/or*
- b) Those projects that are considered important by European constituents and for which European input is particularly important.*

If you do not agree, how should EFRAG select the projects for its proactive agenda?

Do you agree with the list of projects in paragraph 4(b) above that are particularly important to provide European input on? If not, what four projects would you include on the list?

Do you agree that EFRAG should follow the procedure described in paragraphs 4–7 when selecting projects to be included on its proactive agenda? If not, why?

12 On average, what do you think the ratio between resources EFRAG spend on proactive work and reactive work should be?

- (46) Accountancy Europe congratulates EFRAG on its contribution to ensuring that financial reporting standards applied in the European Union (EU) are conducive to the European public good.
- (47) We suggest EFRAG defines its activities in a combination of option 9a) and 9b) due to the role EFRAG plays in endorsing IFRS standards in Europe, but also due to the particular considerations to and from European constituents.
- (48) We welcome EFRAG's consideration for possible proactive work as per Table 1 and Table 2 in Attachment A in Part A of the EFRAG's DCL. However, we suggest EFRAG includes a project on going concern either as part of its reactive (in case such project is undertaken by the IASB too) or proactive agenda (see paragraphs 33 – 35).
- (49) We also agree with the procedure on defining its proactive agenda as per paragraphs 4 - 7 of the EFRAG's Proactive Research Agenda Consultation. The IASB's workplan should serve as a starting point in determining EFRAG's proactive agenda, where EFRAG could undertake research projects not part of the IASB agenda, but important to European constituents.
- (50) Finally, Accountancy Europe appreciates EFRAG's 'one third' target resource allocation for its proactive work. However, we think this target may be too ambitious considering EFRAG's dependencies for reactive work to the IASB's agenda, and the need to interact with the future EU sustainability standard setter.

- (51) The EFRAG's President's final report on the ad personam mandate on potential need for changes to the governance and funding of EFRAG¹⁵, provides that the chairs and vice-chairs of the two (financial and sustainability) boards and of the two technical expert groups are expected to sit in one-another's meeting in order to ensure connectivity between financial and sustainability reporting. Therefore, EFRAG should also consider the resource needs to address connectivity as well before establishing the share of its resources for its proactive work.
- (52) To this end, allocating a quarter of EFRAG's resources for its proactive work may be a more realistic, but yet ambitious, target.

¹⁵ EFRAG (2021), *Final Report on the ad personam mandate on Potential Need for Changes to the Governance and Funding of EFRAG*, see: <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FJean-Paul%20Gauz%C3%A8s%20-%20Ad%20Personam%20Mandate%20-%20Final%20Report.pdf>