



Mr Hans Hoogervorst
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Sent by email:
commentletters@ifrs.org

Brussels, 18 December 2015

Subject: IASB's Request for Views: 2015 Agenda Consultation

Dear Mr Hoogervorst,

- (1) FEE (the Federation of European Accountants, www.fee.be) is pleased to provide you below with its comments on the IASB's *Request for Views: 2015 Agenda Consultation* (Agenda Consultation).
- (2) We welcome the IASB's Agenda Consultation and its analysis of the major and research projects currently on its agenda. We believe it is important that the Board's immediate priority remains on the completion of the final outstanding key standard, namely Insurance Contracts that has been under development for a long period of time (provided that the new standard on Leases will be finalised and published soon).
- (3) We also believe that it is important that the IASB undertakes research projects where there is a need for improving financial reporting. Therefore, we welcome the IASB's research projects. We reiterate our support to the IASB's Disclosure Initiative as we believe that this research project is at the heart of the evolution of financial reporting in the future. In the *FEE Cogito Paper: The Future of Corporate Reporting*¹ we refer to the importance of the Disclosure Initiative to ensure that financial reporting maintains its relevance amongst its intended users.
- (4) In addition to the Disclosure Initiative, we welcome the IASB's efforts to undertake research projects on other key areas for financial reporting, especially the research on Primary Financial Statements, Financial Instruments with Characteristics of Equity, Goodwill and Impairment, and Business Combinations under Common Control. We assess that these projects are important and urgent and we believe that the IASB should prioritise all four of them over other research activities. In our opinion, the current IFRS literature does not provide adequate guidance on these issues which does not result in a good reflection of the underlying economic effects of such transactions and events. Therefore, we strongly believe that addressing these matters will enhance the quality of financial reporting.
- (5) In light of limited resources, we support the Board's decision to remove from its agenda the two inactive projects: Foreign Currencies and High Inflation; in addition, we would support the removal of the third

¹ <http://bit.ly/15futurecorprep>

inactive project on Extractive Activities, Intangible Assets, Research and Development provided that the IASB assesses whether or not the current standard (IFRS 6 - *Exploration for and Evaluation of Mineral Resources*) provides adequate guidance for these type of transactions. We also believe that the Board should not prioritise any research work on the Income Taxes, and Provisions, Contingent Liabilities and Contingent Assets research projects over other research projects.

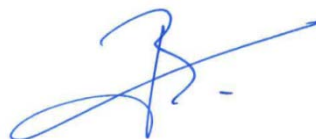
- (6) Regarding the need to add more projects to the agenda, we ask the IASB to consider adding a longer term project on its agenda to review current IFRS literature in light of the revised Conceptual Framework, once the revised framework is published, to identify any potential inconsistencies. In line with our comments on the IASB's Exposure Draft: *Conceptual Framework for Financial Reporting*², even though we support the Board's decision not to amend immediately the current standards that conflict with the revised Conceptual Framework, we believe that there is value for the IASB to take stock of the potential conflicts.
- (7) Furthermore, in line with our comments to the IFRS Foundation Trustees' *Review of Structure and Effectiveness*³, we suggest that the IASB takes a more active role in the broader corporate reporting agenda, including both financial and non-financial reporting. Whilst we welcome the current levels of engagement, for instance participating in the <IIRC> and in its Corporate Reporting Dialogue, we would welcome further engagement of the IASB and the IFRS Foundation, so as to take a prominent part in driving the corporate reporting agenda.
- (8) The current focus on financial information only seems not to be sustainable over the long term as (primary) users are using other sources of information in their economic decision-making process, which might lead to a declining relevance and importance of financial statements. We raise some concerns regarding this in the *FEE Cogito Paper: the Future of Corporate Reporting*.
- (9) Finally, regarding the cycle of the agenda consultation we believe that the IASB should consult on the strategic direction of its agenda on a regular basis, which may distinguish between long-term and short/medium-term agenda. Such a consultation cycle should not exceed a five year period. Having said that, the IASB should ensure that any urgent matters are added to its agenda on a timely basis when needed.

We include our detailed comments to the questions raised in the consultation in the attached appendix. For further information on this letter, please contact Pantelis Pavlou, Manager from the FEE Team on +32 2 893 33 74 or via email at pantelis.pavlou@fee.be.

Kind regards,



Petr Kriz
FEE President



Olivier Boutellis-Taft
FEE Chief Executive

Enclosed: Appendix FEE comments to the IASB's Agenda Consultation

² http://www.fee.be/index.php?option=com_content&view=article&id=1540&Itemid=106&lang=en

³ <http://www.fee.be/library/list/50-corporate-reporting/1545-fee-comments-on-the-review-of-structure-and-effectiveness-of-the-iasb.html>

Annex 1 - FEE comments on the IASB's Agenda Consultation

Question 1 – The balance of IASB projects

The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;
- (b) its Standards-level programme;
- (c) the Conceptual Framework;
- (d) the Disclosure Initiative; and
- (e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

- (1) In general FEE agrees with the criteria listed in paragraph 55 of the consultation paper. However we would appreciate better communication and clarity in regards of prioritisation of projects and allocation of resources to those projects.
- (2) According to FEE's assessment, we believe that all five elements listed above are important for the IASB and the Board should allocate its resources accordingly. In particular we believe that the Board should focus in finalising the remaining key standards that will complete the revision of the current IFRS, namely: Insurance Contracts, Conceptual Framework and Disclosure Initiative (provided that new standard on Leases has already been finalised and would be published soon).

Question 2 – Research projects

The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

- (a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.
- (b) remove from its research programme the projects on foreign currency translation (see paragraphs 39-41) and high inflation (see paragraphs 42-43)? Why or why not?
- (c) remove any other projects from its research programme?

Question 2a

- (3) FEE concurs with the identification of the issues raised by the IFRS Interpretation Committee⁴ related to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and we would welcome the addition of a project on the IASB's agenda for this standard. This may take the form of a Post Implementation Review of the standard, as we believe that this will ensure the completeness of the issues that constituents face when applying the standard. This would also ensure that the IASB follows the process of identifying the key issues that need to be addressed before proceeding with amendments of a standard.

⁴<http://www.ifrs.org/Current-Projects/IASB-Projects/Issues-relating-to-requirements-for-scope-presentation-IFRS-5/Project-news/Pages/Project-news-September-2015.aspx>

- (4) In line with its comments on the IASB's Exposure Draft: *Conceptual Framework for Financial Reporting*⁵ (ED Conceptual Framework), FEE suggests to the IASB, after completion of the Conceptual Framework, to consider undertaking a project to identify inconsistencies between the requirements in the existing standards and the revised Conceptual Framework. Having said that, we agree with the IASB's preliminary conclusions in the ED Conceptual Framework stating that these inconsistencies may not necessarily result in amendments to individual IFRS.
- (5) Identifying such inconsistencies, would help the IASB assess whether these inconsistencies could be explained in the Basis for Conclusions of the individual standards or whether the IASB should add a research project on its agenda to address them. Finally, we believe such a literature review would also aid to prioritise any potential future research projects.

Questions 2b and 2c

- (6) We agree with the Board's decision to remove the two inactive projects from its research programme. We also believe that it would be appropriate to remove the third inactive project on Extractive Activities/Intangible Assets/Research and Development from the IASB research projects in light of other priorities. Having said that, if this project is to be removed from the agenda, the IASB should assess whether it is appropriate to maintain IFRS 6 - *Exploration of and Evaluation of Mineral Resources* (initially this was labelled as an interim standard).
- (7) While we acknowledge that the current accounting treatment on Income Taxes, and the accounting for Provisions, Contingent Liabilities and Contingent Assets are not completely consistent with the Conceptual Framework (and with the proposals in the ED Conceptual Framework), we believe that the IASB should not give priority to these projects over other research projects.

Question 3 – Research projects

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

- (8) We include our assessment of the different research activities in the table that follows. In our assessment we categorise the research activities into broadly five categories which portray the relevant urgency of each research project. The categories are:
- a) Not a good reflection of economics
 - b) Application inconsistencies in practice or within standards
 - c) Gaps in the literature
 - d) Research projects that arise from Post Implementation Reviews (PIRs) - (we elaborate further on PIRs in question 5), and finally
 - e) Inconsistencies with the Conceptual Framework
- (9) In our assessment we rank the projects using only one ranking category driven by both: urgency and importance of the research projects.

⁵ <http://www.fee.be/library/list/50-corporate-reporting/1540-fee-comments-on-the-iasb-conceptual-framework-for-financial-reporting.html>

Research project	Category	Importance
Definition of a Business	Application inconsistencies in practice or within standards / Post Implementation Review	Medium The definition of a business has also been raised in the PIR of IFRS 3. Respondents raised the need to better clarify the definition of a business to ensure more consistency in practice.
Discount Rates	Application inconsistencies in practice or within standards / Gaps in the literature	Medium/High We believe that there are two aspects to this project: (1) Why and how different discount rates are used across different IFRSs; (2) how to account for changes in discount rates. We believe that there is a need to address both matters to ensure consistency of the application of the accounting treatment across IFRSs.
Income Taxes	Inconsistencies with the Conceptual Framework	Low We understand that the principles in IAS 12 are not completely in line with the Conceptual Framework; however, we believe that the principles in IAS12 provide adequate guidance on how to account for Income Taxes; therefore, in light of more urgent projects; we would suggest that the IASB classifies this research project as an inactive one.
Pollutant Pricing Mechanism (formerly Emissions Trading Schemes)	Application inconsistencies in practice / Gaps in the literature	Medium This area represents a gap in the IFRS literature and therefore it results in differences in the application in practice.
Post-employment benefits (including Pensions)	Not a good reflection of economics	Medium In some jurisdictions, post-employment plans have evolved and the mere classification either as defined benefit or defined contribution post-employment plans under IAS 19 may not reflect the current economics of the transactions.
Primary Financial Statements (formerly Performance Reporting)	Not a good reflection of economics / Gaps in the literature	High We believe that the project on primary financial statements (especially the focus on reporting performance) is of a high importance. In line with our comments on the IASB's ED on the Conceptual Framework for Financial Reporting, the project on performance is key to develop the guidance on classification of items in profit or loss or OCI as well as to better illustrate the application of the concept of stewardship. Furthermore we believe that the quality of financial reporting could be improved by enhancing the guidance on Primary Financial Statements.

Research project	Category	Importance
Disclosure Initiative	Not a good reflection of economics	High We believe that the quality of financial reporting could be improved when the IASB has completed this project.
Provisions, Contingent Liabilities and Contingent Assets	Not a good reflection of economics	Low Even though we believe that IFRIC 21 - Levies, does not reflect the economics of the transactions appropriately - particular at interim periods, we do not believe that the IASB should give more priority to this research project over other projects.
Share-based Payments	Application inconsistencies within standards	Low The IASB has already proceeded with some amendments to IFRS 2. Before considering whether further research is needed, we need to assess how the new amendments can enhance the guidance on share-based payments.
Business Combinations under Common Control	Application inconsistencies in practice / Gaps in the literature	Medium/High We identify some instances where IFRS financial statements for such entities exist. We therefore think that it is of high importance for the IASB to take ownership of this area and provide the necessary guidance. This is also linked to the Conceptual Framework project and the chapter on the reporting entity. In line with our comments on the IASB's ED on the Conceptual Framework for Financial Reporting, we urge the IASB to better define the boundaries of the reporting entity and therefore to consider how combined and carve out financial statements can be prepared.
Dynamic Risk Management	Not a good reflection of economics / Gaps in the literature	Medium Especially in Europe this is an important aspect of the IFRS literature as, hopefully, a comprehensive approach for Dynamic Risk Management (macro hedging) could provide a solution to eliminate the current EU carve out of certain paragraphs of IAS 39.

Research project	Category	Importance
Equity Method	Not a good reflection of economics / Gaps in the literature	Medium We are aware of some practical challenges that constituents face when applying the equity method; therefore we classify this project as of Medium importance. Some examples include impairment of investment in associates or joint ventures, changes in the investments (increase or decrease), accounting for gains or losses on transactions between an entity and its associate or joint venture.
Financial Instruments with Characteristic of Equity	Not a good reflection of economics	High We believe that this is a key project for the IASB. The distinction between equity and liability is very important especially in the context of the Conceptual Framework and IAS 32. In the recent years, there is a diversity of new complex products used by entities to obtain finance, and the current principles of IAS 32 have sometimes proven insufficient to provide guidance on how to distinguish between equity instruments and financial liabilities. To demonstrate the importance of the matter, several issues have been raised at the IFRS Interpretation Committee and several initiatives have been undertaken by different constituents (including national standard setters and EFRAG) to provide possible directions on how to address this matter.
Goodwill and Impairment	Post Implementation Review / Not a good reflection of economics	High Following the IASB's Request for Information on IFRS 3, it was apparent that constituents raised concerns re some of the principles for business combinations. There are three key areas: Subsuming certain intangibles to goodwill Simplifying the impairment test for goodwill, and Further research on the subsequent treatment of goodwill (amortisation versus Impairment). While we consider all three of these issues to be of equal importance, we believe that the IASB should focus primarily on simplifying the impairment requirements for goodwill.

Research project	Category	Importance
IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations	Application inconsistencies in practice	Medium Several constituents have raised issues with the IFRS Interpretation Committee. We support the discussion and conclusions on this matter, and we would welcome this research project to be on the IASB's agenda, for example, in the form of a PIR of the standard.
Extractive Activities/Intangible Assets/ Research and Development	-	Low As explained above, we believe that it would be appropriate to remove this project from the IASB agenda.
Foreign Currency Translation	-	Low We agree with the IASB to remove this project from its agenda.
High Inflation	-	Low We agree with the IASB to remove this project from its agenda.

Question 4 – Major projects

Do you have any comments on the IASB's current work plan for major projects?

- (10) We agree with the analysis of the major projects as included in the Agenda Consultation. However, we suggest that the Board reviews the current IFRS literature to identify the potential inconsistencies with the revised Conceptual Framework. As already stated above, we do not believe that these inconsistencies should necessarily lead to amendments of the standards.
- (11) Furthermore, we cannot stress enough the importance of finalising the revised standard on Insurance Contracts.
- (12) FEE considers that the Disclosure Initiative is also one of the key projects on the IASB's agenda. FEE believes that this project is at the heart of future development of financial reporting, to ensure that financial reporting maintains its relevance amongst its intended users in the future. We also flag the importance of this project in FEE's recent publication *Cogito paper: the Future of Corporate Reporting* (FEE Cogito Paper)⁶.

Question 5 – Maintenance and implementation projects

Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19-23 and 50-53)?

- (13) We acknowledge the importance and the volume of work that the IASB has undertaken in this area over the last years. However, we believe that the IASB should undertake more PIRs, not just limited to the newly published standards. For example, we would recommend PIRs on IFRS 5, IAS 36 and IAS 28, as PIRs are a useful tool to gather evidence, and to assess the issues encountered in practice which afterwards need to be properly flagged to the Board. Furthermore, the IASB should take concrete actions following those PIRs in order to address the key issues identified.

Question 6 – Level of change

Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

- (14) Following the completion of the Insurance Contracts standard, the IASB would have completed a major cycle of significant changes in IFRS, affecting all companies which apply IFRS (some industries more than others). We believe that the IASB should focus its efforts to support the implementation of the new standards, making sure that all the issues are identified and addressed in a timely manner.

⁶ <http://bit.ly/15futurecorprep>

Question 7 – Any other comments

Do you have any other comments on the IASB's work plan?

(15) In our response to the IFRS Foundation Trustees' *Review of Structure and Effectiveness*⁷, FEE suggested that the IASB should widen its focus from financial reporting to the corporate reporting agenda. The current focus on financial information only seems not to be sustainable over the long term as (primary) users are using other sources of information (e.g. non-GAAP and non-financial measures) in their economic decision-making process, which leads to a declining relevance and importance of financial statements. In the FEE Cogito Paper we express the view that in terms of corporate reporting standards, international convergence to the fullest extent possible in terms of standard setting and practices could provide better guidance on how to enhance the content of corporate reporting. Having a single reporting framework would promote consistency among preparers and give users access to comparable information across different entities and even across different industries.

(16) Given the overlaps between financial and corporate reporting items and priorities, as well as the status of the IASB as the international reporting standard setter, FEE would strongly encourage the IASB to take a more proactive role in the corporate reporting agenda; to move from monitoring to the forefront, and to contribute to shaping the vision for the future. This would of course have to be further clarified and discussed with other key stakeholders, including market regulators like the European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO).

Question 8 – Frequency of Agenda Consultations

The IASB is required to carry out a public Agenda Consultation every three years.

It usually takes longer than three years, however, to complete a major research project and then a subsequent major Standards-level project. Consequently, many of the major projects that form the basis of discussion for one Agenda Consultation will still be on the work plan three years later. Thus, some feel that consulting on the IASB's agenda every three years is excessive. They suggest that five or even seven years would be a more realistic interval between Agenda Consultation cycles.

Others think that a three-year cycle is appropriate to provide the IASB with timely input on changes that might need to affect its agenda-setting strategies and priorities.

Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not? If not, what interval do you suggest? Why?

(17) We believe that the IASB should consult on a regular basis on the strategic direction for its agenda, which may distinguish between a longer term agenda and a shorter/medium term agenda. The interval between these consultations should not exceed a five year period. Having said that, the IASB should ensure that meanwhile, it has in place those tools that will allow it adding to its agenda any projects that need to be addressed in the short-term. In our view such tools could be the PIRs or projects directed to the IASB from the IFRS Interpretation Committee.

⁷ <http://www.fee.be/library/list/50-corporate-reporting/1545-fee-comments-on-the-review-of-structure-and-effectiveness-of-the-iasb.html>