

STAFF PAPER

January 2012

IASB Meeting

Project	Request for views - Agenda Consultation 2011		
Paper topic	Comment letter summary		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Purpose

1. This paper summarises the feedback received in response to the Board's request for views *Agenda Consultation 2011* (the RFV). The RFV was published for public comment in July 2011; the comment period ended on 30 November 2011. The summary is based on the staff's preliminary analysis of comment letters as well as on feedback received from outreach activities undertaken by Board members and staff members.
2. This paper should be read with the more detailed analyses included in the two related papers:
 - (a) 5 B Feedback from users of financial statements
 - (b) 5 C Comment letter summary - Priorities of standards-level projects.
3. This paper does not include any staff recommendations and the Board will not be asked to make any technical decisions at this meeting.

Structure of this paper

4. This topic is organised as follows:
 - (a) Overview of the comment letter respondents
 - (b) Key messages

- (c) The agenda-setting process
 - (d) Summary of strategic priorities
 - (e) Conceptual framework, including a presentation and disclosure framework
 - (f) Researching strategic issues for financial reporting
 - (g) Standards-level projects
 - (h) Maintaining IFRSs
 - (i) Post-implementation reviews
 - (j) Responding to implementation needs
 - (k) Balance between strategic areas.
5. For convenience, the questions asked in the Board's request for views are included as Appendix A to this paper.

Overview of the comment letter respondents

6. The comment letter period on the request for views ended on 30 November 2011. Some would have expected the topic of agenda setting to be of interest mainly to the large firms and to fellow standard-setters. During the second half of 2011, Board members and staff took part in many outreach activities to raise awareness of this process across all constituents. In addition, many national standard setters and regional forums undertook a number of local initiatives to widen the range of consultation. In the staff's view, this work was effective and the Board have received comment letters from a wide-range of types of constituents and a number of geographical regions.
7. The Board received 245 comment letters, which are summarised below by type of respondent and geographical region.

Type of comment letter respondent

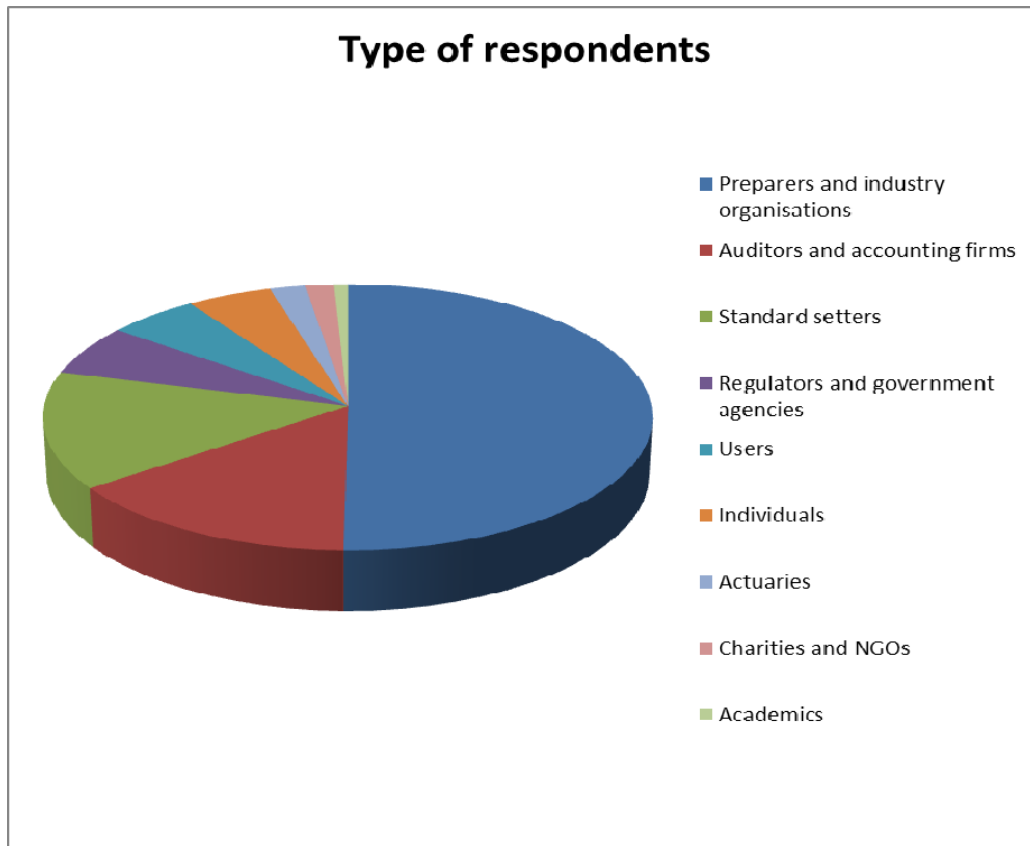
8.

Respondent type	Number of respondents	Percentage of respondents
Preparers and industry organisations	122	49.8
Auditors and accounting firms	36	14.7
Standard setters	35	14.3
Regulators and government agencies	15	6.1
Users	14	5.7
Individuals	12	4.9
Actuaries	5	2.1
Charities and NGOs	4	1.6
Academics	2	0.8
Total	245	100%

9. A diverse range of types of constituents responded to the RFV.

- (a) Preparers are well-represented. Many responded to reflect their interest in specific standards-level projects, relevant to individual industry sectors, such as agriculture, extractive industries and rate-regulated industries. Other preparers provided broader comments, on both the agenda-setting process itself and the strategic areas identified by the RFV as topics for comment.
- (b) Standard setters and regulators are also well represented in the comment letter respondents, which reflects the importance that they ascribe to the agenda setting process.
- (c) The comment letter response from users was limited (to 14 respondents) as is often the case when dealing with a formal comment letter process. Paper 5B *Feedback from users of financial statements* details other ways in which user input to the process has been obtained.

10. The analysis by type of respondent is shown in the graph below:

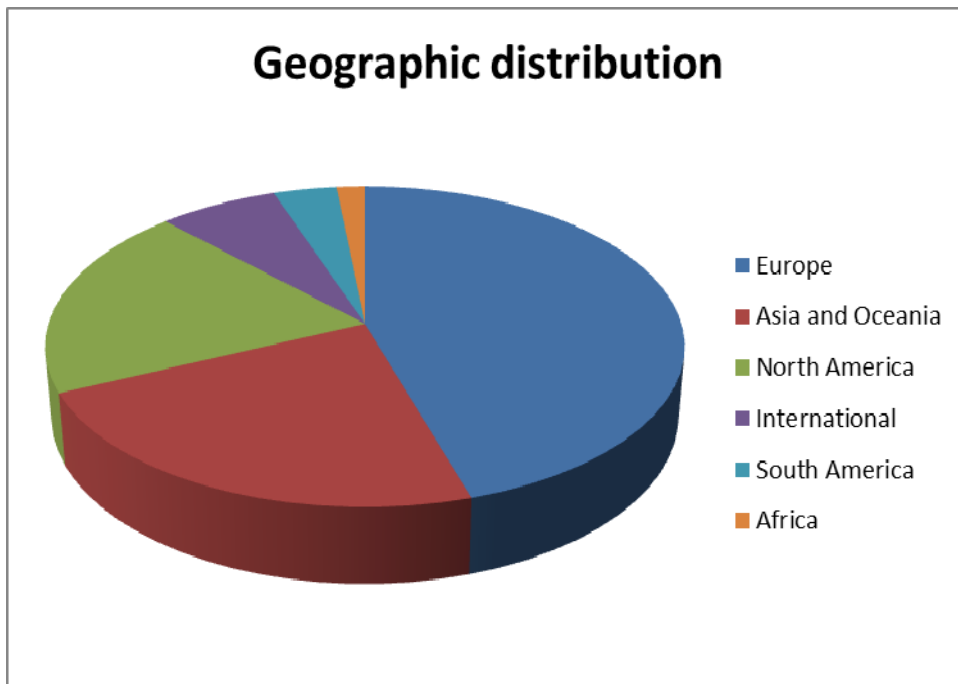


Geographical distribution of comment letter respondents

Geographical region	Number of respondents	Percentage of respondents
Europe	111	45.3%
Asia and Oceania	56	22.9%
North America	48	19.6%
International	17	6.9%
South America	9	3.7%
Africa	4	1.6%
Total	245	100%

11. All geographical regions were represented in the responses:
 - (a) Europe is the geographical region providing most respondents.

- (b) Many respondents in Asia and Oceania submitted comment letters. In the staff's view, this reflects both local concerns about some standards-level projects such as IAS 41 *Agriculture* as well as an increased interest in IFRS as jurisdictions within the region approach their own milestones in an IFRS adoption process.
- (c) Responses from Canada are a significant proportion of the comment letters received from North America. In the staff's view, this reflects that country's recent adoption of IFRSs as well as particular concerns in that country about rate-regulated industries.
12. The analysis by geography is shown in the graph below:



13. Views tend to be common to all types of participants and all geographical regions, but emphasis on some strategic areas or individual projects (eg IAS 41) does vary by region. The analysis below identifies those circumstances when different populations of respondents hold different views.

Key messages

14. Many respondents believe that the Board should complete the four current projects (financial instruments, insurance, leases and revenue recognition) as a priority.
15. The last 10 years represents a time of significant change to IFRSs. The need for a stable platform in 2004, the emphasis on the MOU projects and the G20 requirements for the financial crisis has meant that the emphasis of the last 10 years has been on *developing* IFRS. Most respondents believe the balance should now instead be on *maintaining* IFRSs.
16. The conceptual framework is seen by many respondents as a priority. They believe that work on the conceptual framework will help in general with implementation issues. In their view, the work plan should target known areas requiring attention, such as asset and liability definitions as a means of resolving some standards-level issues, and should include work to address what performance means by discussing OCI and performance reporting. Many respondents also suggest developing a disclosure framework as part of the work on the conceptual framework. Respondents think that a disclosure framework would reduce the volume of disclosures and make disclosures more relevant.
17. There are widespread requests for a period of calm to allow for increased support
 - (a) for jurisdictions that are first-time adopters of IFRSs or considering adopting IFRSs,
 - (b) to assess the effect of the four priority standards due to be issued this year and next,
 - (c) in the application of recently-issued standards, and
 - (d) to make targeted improvements to existing IFRSs.
18. Because of the emphasis on developing IFRSs over the last 10 years, there is a lack of awareness by many respondents of ways in which the IASB can support the maintenance of IFRSs.
 - (a) Post-implementation reviews (PIRs) have a role to play in this, but many respondents believe that the scope of work carried out in PIRs should be broader than merely being focused on issues that were

- controversial at development and on unexpected costs. The PIR should also determine whether the objective was achieved.
- (b) Many respondents are unfamiliar with the IASB's implementation-support processes. Respondents have suggested different types of possible support in paragraph 164.
 - (c) Requests for support in implementing IFRSs often vary by jurisdiction, depending on what stage that jurisdiction has reached in adoption.
 - (d) Many respondents suggest that the activities of the Interpretations Committee (the IC) should be increased; the Board should devolve maintenance of IFRS to the IC; and the status of the IC's work should be raised.
19. Generally, respondents do not advocate adding standards-level projects to the agenda. In their view, only a restricted number of standards-level projects should be added to the agenda, and such additions should be based on evidence of a clear need for improvement to financial reporting.
20. Many respondents believe that the Board's agenda was too ambitious in the past. In addition to asking for a reduction in the number of planned projects, respondents also suggest that the Board should plan for a level of unallocated resource to allow it to address unexpected issues as they are identified.
21. Resource constraints are difficult for respondents to assess, but some common responses were:
- (a) The Board needs to devolve more of the maintenance of IFRS activities to the IFRS Interpretations Committee (the IC) and should redefine the role of the IC in relation to these activities. This topic is currently being discussed by the Board and the IC.
 - (b) Local standard-setters and regional groups should be the eyes and ears of the IASB to identify areas requiring attention and to collate matters arising from regulators, preparers and users. National standard-setters are keen to help with implementation issues, with research and with project development.
 - (c) Non-core activities, such as XBRL, should not be a priority in the use of scarce resources.

22. Researching strategic issues for financial reporting, described by some as ‘blue-sky’ thinking, is not seen as a priority by most respondents. Respondents believe that the IASB should focus its scarce resources on researching users’ needs and on the need for any changes to IFRSs.
23. The IASB’s role should also be one of facilitating communication and of coordinating its work with that of academics and of other standard-setters.
24. These responses are considered in more detail below.

The agenda-setting process

25. The IASB’s *Due Process Handbook* sets out five agenda-setting criteria and this information is included in the RFV:
 - (a) the relevance to users of the information involved and the reliability of information that could be provided
 - (b) existing guidance available
 - (c) the possibility of increasing convergence
 - (d) the quality of the IFRSs to be developed, and
 - (e) resource constraints.
26. Many respondents commented on both these agenda-setting criteria and the agenda setting process in general.

The 2001-2011 agenda

27. Most respondents acknowledged the progress made by the IASB in its first ten years. However, many respondents believe that the IASB’s agenda has been too ambitious in the past. These respondents acknowledge that an ambitious timetable can serve as a catalyst to maintain momentum, but were concerned that it could constrain the Board’s ability to cope with important issues as they arise.
28. Many noted that in the past ten years, some projects have been delayed, and others have been deferred, in response to changes in priorities. These respondents believe that stakeholders need clarity about the timing of the development of

individual standards, in order that they can plan accordingly, as well as certainty over the projects to be maintained on the agenda.

29. The general view is that the previous agenda set was much too ambitious. Because of these concerns, many respondents have advised caution about the number of projects taken onto the agenda. Common advice is to restrict the number of standards-level projects on the agenda to 2-4 at any one time.

Timing of the work planned

30. Many queried whether this agenda-setting process could be applied to a time period covering only the next three years. These respondents noted that the Board's existing commitments (such as the four main projects, the post-implementation reviews that are planned and the triennial review of SMEs) would take up much of the Board's resources over the next few years. Many also stressed the need for increased implementation support in the light of the amount of revised guidance that has recently been issued or is planned and the number of jurisdictions adopting IFRSs in the next few years.
31. Some viewed the current consultation process as more about contributing to an agenda-setting process that would *start* in 3-5 years.
32. Some respondents considered that the consultation on agenda-setting should form the basis of setting a standards-level agenda that would start ten years from now. In their view, completing the four main projects; researching the adequacy of existing IFRSs; developing the conceptual framework to resolve these deficiencies; and initiating a disclosure framework, while simultaneously providing the implementation support required, would take several years. Only after that time, in their view, would the Board be ready to consider adding standards-level projects to the agenda.

Objective of standard-setting and due process

33. Some suggested that following ten years of agenda-setting based on specific strategies (such as the need for a stable 2004 platform, or the MOU), the IASB needs to focus on a more balanced set of technical objectives to respond to global needs. These respondents stress that the objective of financial reporting is providing information that is useful to investors and this objective should be at the

- forefront of the agenda-setting process. Some respondents also noted that the Board should clarify the public interest aspect of financial reporting in its objectives; reassess whether stewardship should be given greater prominence and reconsider including the concept of prudence in the conceptual framework.
34. Some respondents believe the consultation process will provide insight on constituents' views on the Board's activities as a whole. One respondent suggested that this consultation should lead to changes in the way the Board's activities were conducted and that the Board's due process handbook should be updated to reflect any changes required.
35. There was a general request for feedback and consultation throughout the agenda-setting process. Some suggested that the IASB should publish its agenda proposals and explain their effect in detail, and expose these proposals for public comment, before finalising its agenda. Reference was also made to assessing these proposals in the light of the UKASB and EFRAG's joint discussion paper *Considering the Effects of Accounting Standards*.

Evidence-based agenda-setting

36. There was a general view that projects should be taken onto the agenda only when there were good reasons to believe that capital markets would benefit from changes in accounting or reporting.
37. In accordance with that view, the initial stage of the agenda-setting process should be obtaining documented evidence that there is a problem in financial reporting. Many thought that more weight should be given to research on users' needs than is done at present, to establish where improvements were required. Many cited surveys of users, reviews of published financial statements and the results of post-implementation reviews (PIRs) as useful starting points for assessing if change was required.
38. Some suggested that feasibility studies should be carried out before a standards-level project is added to the agenda. Other respondents identified criteria for adding individual projects to the Board's agenda. These comments are discussed in the section on standards-level projects in paragraphs 126-134.

Emerging markets

39. Some respondents believe that we should take more notice of business practice and customs in emerging markets. They think that standard-setting to date has been too centred on Europe and North America.

With IFRSs adoption by a number of emerging economies, including BRICS, in our view, the IASB should pay more attention to projects of particular interest for emerging and transition economies. *141 National Accounting Standards Board of Russia*

Resource constraints

40. Some expressed concerns that because the Board had not laid down details of what amounts of Board and staff time would be available over the coming years, it was difficult for them to formulate details about selection criteria or work priorities.
41. Many thought that the Board would use resources most effectively by only keeping a watching brief on areas that are not core to financial reporting.
42. Some suggested that the Board should widen its resource base by clarifying the role of the Interpretations Committee and by assessing what effect the creation of overseas liaison offices could have on the organisation's workload. The role of the IC is discussed in more detail in paragraphs 178-184 below.
43. Most respondents thought that it was important for the IASB to establish how it would act as a partner with the national standard-setters; standard-setters are generally willing to assist the IASB. Regional forums and preparer focus groups were also identified by some respondents as providing additional resources.
44. An overriding view was that the balance between available resources and the work planned should be adequate, to ensure that the quality of standards did not suffer. To that end one respondent suggested a more measured approach in order that:

The Board members can sufficiently address issues and understand anticipated effects by analysing staff proposals and comment from stakeholders before making important decisions

The staff have sufficient time to research issues and practices and analyses all related issues (including cross-cutting ones) and

Stakeholders.... have time to understand and analyse the proposals.. 153 AOSSG

45. Respondents generally welcomed the Board's returning to its normal monthly Board meeting schedule.

Period of calm

46. The first 10 years of the Board's agenda resulted in a number of changes to IFRSs. The 2004 stable platform, the MOU projects and the financial crisis will all have resulted in the Board issuing a number of new standards between 2008 and 2013. There is a very widespread request for a period of calm at this stage:

This period of calm is needed to ensure proper understanding by users and preparers of changes made to IFRS and subsequently manage, and adjust to, the changes and incorporate them in their accounting systems and financial reporting processes. 124 *European Banking Federation*

47. In addition, the number of jurisdictions that are likely to adopt IFRSs in the next few years suggest that a second stable platform is required and that the Board generally should focus its efforts on providing additional attention to both supporting implementation of new standards and assisting those jurisdictions adopting IFRSs for the first time.

Convergence

48. Many were concerned that convergence was still a main criteria on the Board's agenda-setting due process. Many thought that convergence was no longer a relevant priority:

The further development of global standards needs to be via the adoption by countries of a single set of standards

such as IFRS and not by trying to make different sets of standards more similar. *223 UK ACCA*

49. Some have expressed doubts that the goal of convergence has resulted in guidance that has led to an improvement in financial reporting.

Forcing convergence is unlikely to be seen by either side as leading to higher quality standards and that is a view that is shared across most constituencies including among investors. *177 Association of British Insurers*

50. Others believe that the amount of change produced by the MOU has been excessive and has led to ‘standard-setting overload’ in many jurisdictions.

51. These views are not held by all respondents. In particular, North American respondents are supporters of retaining convergence as a main goal in setting the agenda:

The AcSB strongly encourages the IASB to work with the FASB and other standard setters in order to achieve the objective of one global set of high quality accounting standards. *132 Canadian Accounting Standards Board*

Summary of strategic priorities

52. The first question posed in the RFV is about the IASB’s strategic priorities and how they should be balanced over the next three years. (See Appendix A for the questions included in the RFV.)

53. The document identifies two categories of activities – developing financial reporting and maintaining IFRSs. Within the development category there are three strategic areas:

- (a) conceptual framework, including a presentation and disclosure framework
- (b) Researching strategic issues for financial reporting
- (c) Standards –level projects

54. The category of maintaining existing IFRSs has two main areas, post-implementation reviews and responding to implementation needs.

55. Some respondents have noted the inter-relationship between the five strategic areas. One area may be an input from another or an output from it. For some respondents, each strategic area can be viewed as a different aspect of an overall process. Notwithstanding this, each strategic area is discussed separately in more detail below.

Conceptual framework, including a presentation and disclosure framework

56. Most respondents consider the development of a sound conceptual framework to be fundamental to the success of any principle-based set of standards.
57. They believe that in order to provide a faithful presentation of an entity's financial position and performance there needs to be a firm foundation of financial reporting concepts to build upon. One respondent notes that one benefit of the framework is that it is constant, even when the composition of the Board itself changes.
58. Respondents believe the conceptual framework has two key roles in the standard-setting process:
- (a) it enables constituents to apply IFRSs consistently (paragraphs 59-72), and
 - (b) it forms the basis for revising and developing individual standards (paragraphs 74-79).

Consistent application of IFRSs

59. The conceptual framework provides a tool that stakeholders can use when applying IFRSs. A robust conceptual framework results in more informed discussions of issues when there is no specific guidance in IFRSs, or IFRS is not clear.
60. It guides the preparers when they are confronted by the inevitable gaps in the standards.
61. Respondents believe that the increasingly wider global application of IFRSs will give rise to the interpretation of the standards across a range of different environments and that this will necessarily lead to a greater diversity of

interpretation and inconsistency in application. The wide-ranging conditions against which the conceptual framework is tested mean that the conceptual framework must be especially robust to support IFRSs.

Consistency and addressing cross-cutting issues

62. Some jurisdictions say they are struggling with inconsistencies of approaches in different standards. Some of these respondents suggest a review to ensure that all existing IFRSs are compatible with the conceptual framework.
63. These respondents believe that some projects have been taken forward without taking sufficient care to ensure consistency across all IFRSs and that care is needed to ensure that cross-cutting issues have been resolved.
64. Some respondents suggest the IASB's work on the conceptual framework should target specific cross-cutting issues of concern to stakeholders, such as:
 - (a) control (paragraph 65);
 - (b) business model (paragraphs 66-67);
 - (c) performance and OCI (paragraphs 68-70); and
 - (d) measurement (paragraphs 71-72).

Control

65. Control is a notion increasingly used in IFRSs. The Board's recent proposals or standards on revenue recognition, consolidation and the definition of assets are all based on control. Control should be examined in these proposals and definitive guidance developed in common. Some have also suggested that control should be contrasted with risk and rewards to establish what the differences are between the two notions and to determine the advantages of each.

Business model

66. The concept of the business model is currently used in an arbitrary way according to some respondents. In IFRS 9 it is used as a key determinant for classification and measurement of financial assets. It is also used in the Board's recent exposure draft on investment entities, but it is specifically not used in the Board's exposure draft on revenue recognition to identify distinct performance obligations.

Respondents suggest that the IASB should develop a conceptual basis to determine when the application of the business model concept is appropriate.

67. One respondent suggested using the entity's business model as a framework for explaining its performance. The respondent notes that EFRAG is currently leading a project in this area.

Performance

68. The concept of profit or loss, the nature of other comprehensive income (OCI) and the conceptual basis for recycling are given a high level of importance by the majority of respondents and across all jurisdictions.
69. Currently, respondents believe there is a lack of clarity on the roles of profit or loss and OCI in measuring and reporting an entity's performance. The interaction between profit or loss and OCI is also unclear, especially the notion of recycling and when or which OCI items should be recycled. Recycling is prohibited in some standards (IAS 19 and IFRS 9) but required in others (cash flow hedging in IAS 39). Respondents note that global convergence of recycling is particularly relevant to financial regulation.
70. The use of non-GAAP measures by many preparers to explain their results to users is cited by some respondents as an indication that profit or loss may not be representative of the measurement or recognition of the entity's performance. They say that the need for the use of non-GAAP measures should be investigated; some respondents suggest this use of non-GAAP measures has arisen because of inconsistencies in IFRSs.

Measurement

71. Another cross-cutting issue that some believe the Board should address is measurement, which many consider needs updating in the conceptual framework.
72. Some have suggested that measurement bases in general should be reviewed. Others have targeted the measurement of performance and the place of fair value in financial statements as particular areas for development.
73. Some have suggested that variable consideration should be an urgently-addressed topic because of seeming inconsistencies among IFRSs (between IASs 16, 38 and 2) or a lack of guidance (financial instruments).

Supporting standards-level development

74. The conceptual framework has a second role – supporting standards-level development. The conceptual framework underpins greater consistency of accounting treatments across IFRSs both as existing standards are revised and as new standards are created. It acts as a guiding principle and point of reference when developing new standards or revising existing ones.
75. Some respondents expressed concern about the drivers of individual standard development. They ask whether the conceptual framework should be completed, and then existing standards revised accordingly, or whether deficiencies in existing standards should be identified and the related areas of the framework prioritised for development accordingly. The latter view seems to predominate:

While recognising the importance of the conceptual framework and accepting that this would benefit from a clarification over the longer-term, we believe... that the IASB work on this area should be confined to areas where the current framework raise clear practical issues. 178
Association for Financial Market in Europe

76. Many respondents believe that the impetus for change to IFRSs should come from identified weaknesses in the standards and not from the framework. They warn against widespread or random change in the framework that would result in a knock-on effect to a number of standards. These respondents believe the priority given to topics for development in the conceptual framework should be related to how closely these topics would align with resolving specific standards-level problems.

Definition of elements

77. Many believe that clarifying the definition of assets and liabilities is a prerequisite for resolving a number of issues.
78. A clear definition of assets would be the starting point for a project on intangibles. Respondents say that project would itself provide insight into developing guidance on rate regulated industries and extractive activities.

79. Similarly, defining the nature of liabilities would advance the Board's thinking on distinguishing between financial instruments with the characteristics of equity and other liabilities.

Timing of development of the conceptual framework

80. Some respondents noted the lack of progress on the conceptual framework to date; one respondent described it as painfully slow. Others accepted that development of the framework would need to take place over a number of years.
81. Some respondents have suggested that all standards-level projects should be deferred until the conceptual framework has progressed:

Making changes to existing standards and bringing out new standards before this has been achieved will lead to an inconsistent application of principles at worst and at best, to additional costs and burdens on resources, as amendments get exposed numerous times.... Unless the conceptual framework is completed first, its finalisation may lead to further revisions being required to standards issued or amended prior to its finalisation also leading to extra costs and inefficiencies. *81 Baker Tilley*

82. Other respondents stress the importance of maintaining the conceptual framework on an on-going basis. These respondents believe the conceptual framework is not broken, but that the IASB needs to be responsive to a changing global requirement. The respondents believe that the conceptual framework should be a living document that is continuously updated. In their view, accounting standards are an important element of financial regulation and the IASB needs to be responsive to the changing needs of markets.

Methodology for developing the framework

83. Several respondents believe the Board should reconsider its methodology for developing the conceptual framework. Many accept that the framework needs to be developed in phases.
84. Some have suggested that the Board need to develop a framework for establishing how principle-based standards should be developed. These respondents believe

that the principles within the framework should be simple and clear. Several respondents criticised the development of standards that are too highly detailed and rules based. They believe this level of detail leads to the need for frequent changes and an increasing level of legal and interpretative uncertainty.

85. This principle-based-standard-setting framework could include a discussion of how much guidance on applying the principles should be needed and what levels of rules should be required. A user forum also suggested it would be useful if the Board developed a common understanding of how much diversity in application would be acceptable under a principle-based regime.
86. In the view of some respondents, the global application of IFRSs will necessarily result in diversity of application across jurisdictions to reflect their different regulatory and legal frameworks.
87. Respondents' views varied on whether the conceptual framework should be developed by the IASB in collaboration with other standard-setters:

Having a common, globally-accepted conceptual framework is fundamental to achieving one global set of accounting standards. Accordingly, the AcSB strongly encourages the IASB to develop the conceptual framework collaboratively with the FASB and possibly other standard setters. *132 Canadian ASB*

To date this has been a long-running project that has failed to deliver any significant improvement.... We believe the IASB's conceptual framework should be an IASB specific project, not a convergence project, and this may help in delivering results on a more timely basis. *42 UK ASB*

Presentation and disclosure framework

88. The development of a disclosure framework receives wide support across the full range of respondents. Respondents think that a disclosure framework would provide two benefits:
- (a) it would reduce the volume of disclosures and
 - (b) it would make disclosures more relevant.

Reduced volume of disclosure

89. Most respondents believe that too much disclosure is currently required. In their view, it is difficult to target clear communication to users when the message is obscured by high levels of boiler-plate disclosure. Respondents believe that the disclosure framework would provide a structured way to review the need for disclosure, simplify the disclosure process and reduce the costs to preparers.
90. Many respondents believe that the IASB should consider the costs and benefits of disclosure as part of the disclosure framework. Respondents also think that the disclosure framework should include a discussion of materiality in order to ensure that only material amounts are disclosed.

More relevant disclosures

91. Many respondents believe the development of a disclosure framework would ensure that only relevant information is disclosed. In their view the disclosure framework should contain clear communication objectives so that disclosure is understandable, easily accessible and relevant. In the short term, one respondent, 228 Corporate Reporting Users' Forum, has included a list of five 'quick wins' that they believe would greatly improve the relevance of reported information in advance of any work done on a disclosure framework.

Interaction with other organisations

92. Many respondents suggested using the work of other organisations in developing a disclosure framework.
93. A US respondent suggests developing the disclosure framework in collaboration with the FASB, using the work already done by that organisation as a basis.
94. A number of respondents refer to the work done jointly by the Scottish and New Zealand Chartered Accountants, entitled *Losing the Baggage*, and to the UK Financial Reporting Council's work published as *Cutting Clutter*. Respondents believe that both these works provide useful input into the development of a disclosure framework and are a means of reducing disclosure.

Presentation framework

95. Many respondents discussed the need for a disclosure framework. Few discussed the need for a presentation framework.

96. Those who did discuss a presentation framework generally believe a presentation framework cannot be developed until after the elements of financial statements have been fully developed in the conceptual framework.

Presentation and disclosure project

97. Although many respondents support a disclosure framework few of them support the suggestion in the RFV that a separate project on presentation and disclosure should be considered.
98. The RFV suggests that project could develop a single IFRS that would provide all the necessary disclosure guidance to replace the piecemeal requirements of individual IFRSs.
99. Most respondents, on the other hand, believe that disclosure requirements should remain an integral component of the individual standard, with a disclosure framework providing high level principles to assist in their development.

Researching strategic issues for financial reporting

Overview

100. The RFV suggests that investing in broader research areas now could lead to more efficient standard-setting in the future. It also suggests undertaking a strategic review of the future shape of financial reporting. That review would consider what form financial reporting might take ten years from now. The RFV also asks how IFRSs should interact with integrated reporting and XBRL.
101. In general, respondents gave a low priority to researching strategic issues. Most respondents believe that research should be focused on producing high quality standards in the short term and, in particular, on solving current usability issues. Respondents generally seemed wary of visionary, blue-sky, thinking that was not related to current issues.
102. Respondents suggested three targeted areas for the IASB's research activities:
- (a) objectives of financial reporting (paragraphs 104-107);
 - (b) operational reviews of IFRSs (paragraphs 108-113); and
 - (c) facilitating global research (paragraphs 114-119).

103. Some respondents questioned whether we have the resources to consider the ten-year view as part of a three-year agenda-setting process.

Objectives of financial reporting

104. Some suggested that the IASB should look again at the objectives of financial reporting. These respondents believe that the most valuable research that could be undertaken would be an assessment of the effectiveness of existing standards in meeting those objectives.
105. Some questioned whether the objective of financial reporting is to provide information to investors. They requested clarity on how IFRS is used by investors. One suggested that financial reporting is more in the nature of a compliance activity and that the value of financial statements to investors is that of a historic basis from which more useful information is derived.
106. Many suggested that research should be a means to target those areas in which communication between investors and preparers could be improved. Some suggested reviewing existing research to identify users' needs.
107. Paper 5B *Feedback from users of financial statements* discusses investors' responses to the agenda consultation in greater detail.

Operational review of IFRSs

108. The majority of respondents suggested that the Board should target research into the operational application of existing standards, to highlight areas of weakness and to identify amendments that are needed to improve the consistency and clarity of financial reporting.
109. In their view, the purpose of research should be to provide evidence about the need for any changes to financial reporting. This research would identify gaps in IFRSs and consider how those gaps could be filled.
110. These research activities would form a basis for providing direction to all projects. Research should identify the gaps referred to above, and in that way contribute to the development of individual standards.
111. There was a note of caution generally about taking project-level standards onto the agenda. Proposals should be assessed on their merits, based on empirical evidence of the needs of users. Some believed that the research phase of the

- initial stages of a project should include a feasibility assessment of whether it would be possible to issue a final, workable standard.
112. Many added that the number of countries adopting IFRSs and the magnitude of change brought about by the priority projects means that standards need to be of the highest quality. A goal of research would be to identify and prevent possible causes of failure before it can occur in practice.
113. Others suggested that research commitments should be short term to ensure that resources can be swiftly switched to other areas as issues arise.

Facilitating global research

114. Many believe that the IASB should not undertake research itself, but should instead cultivate those organisations that have carried out research and help coordinate necessary research by setting up a liaison group. This liaison group could create a global research network by drawing on research undertaken around the world and assessing changes in the current economic context.
115. Almost all respondents agreed that the IASB should make more use of outside research than at present.

National standard-setters and regional bodies

116. Many suggested the use of national and regional standard-setters and other regional organisations. Use of these resources has a number of benefits:
- (a) It is important to include all markets and economies in the development of IFRSs. Using regional groups in regions where a topic is pertinent ensures that all local expertise and experiences will be passed to the IASB.
 - (b) Local groups obtain information from a wide range of members which gives them the potential to identify a greater number of possible solutions.
 - (c) Use of regional and national research will give greater ownership of the standard-setting process by all stakeholders.
 - (d) Encouraging regional forums to focus on controversial issues will allow the IASB to maintain a neutral position during development.

- (e) Local research could be conducted in the public eye, which encourages comment as individual conclusions are reached.

Academics

117. It was noted that there was a need to strengthen links between practitioners and academics and that the IASB has a role to play in this. The IASB is encouraged to reach out to academics to ensure their engagement and a free exchange of ideas.
118. It was noted that at present there is a lack of engagement by the IASB with academics. In 2011 it was announced that more academics will be appointed to the Advisory Council, but even so, in their view, the IASB still needs to find an effective way of including academic research in its process.
119. One respondent stated that, in general, IASB staff have no experience of research methods or of academic research generally. Similarly, academics typically have little experience in the application of financial standards by preparers, auditors or investors. One suggestion was to create joint teams by asking researchers to be seconded to work with IASB project staff. Working groups of academic researchers could be created as topics arise.

Future of financial reporting

120. The majority believe that the IASB should target research to respond to the needs of current reporting by identifying areas in which change is needed and assessing possible solutions. Some believe that the future of financial reporting should only be researched by academics and personnel at scientific institutions, skilled in research techniques.
121. Specific strategic areas raised in the RFV, such as XBRL and integrated reporting, were generally considered to be outside the remit of the IASB's activities, although some users were in favour of devoting resources to integrated reporting. Within the general population of respondents, some were sceptical about the relevance of integrated reporting, because it was developed by a limited number of participants in developed markets. Many were unconvinced that increased interest in integrated reporting justified a significant change in the way in which IASB addresses financial reporting. Those non-users who supported our

involvement in the development of integrated reporting suggested that resources should be strictly budgeted and monitored.

XBRL

122. The RFV refers to the growing importance of electronic reporting and the extended use of XBRL and asks how the Board and IFRSs should interact with XBRL. This caused concern to a number of respondents.
123. Respondents acknowledge that it is appropriate for the IASB to take steps to improve the usability of financial information and to consider the completeness of the XBRL taxonomy. One respondent believes that the XBRL taxonomy is a useful tool for researching any review of presentation and disclosures. Another, however, suggested that the use of XBRL might drive standardisation at the expense of principles and materiality.
124. In addition, many stated that XBRL is only a tool for communicating numbers and, is therefore, only a facilitator to financial reporting. They were concerned that the XBRL tail could in some way begin wagging the IFRS dog by driving standard development or influencing the development of standards:

The Board should not consider XBRL as anything more than a facilitator; it should be a separate activity of the IFRS Foundation and we trust that “integration” does not mean that the Board would consider the consequences on XBRL during the development of accounting standards themselves as this would put the concept of principles-based standards at risk. *165 Shell International BV*

125. The most common response to this topic was that the development of XBRL is not a part of a standard-setting process:

We are aware that the IFRS Foundation appears to be committed to developing and maintaining XBRL taxonomies and related initiatives as a strategic matter. However, we are not convinced that substantial IASB Board and Staff resources should be allocated to these areas, nor XBRL integration should be a major focus of the standard-setting process. *Grant Thornton International 77*

Standard-level projects

126. In general, adding new standards-level projects to the agenda was not seen as a high priority. Many were concerned that the Board's existing commitments do not permit the addition of new projects. These respondents believe the necessary resources will not be available for several years.

Evidence-based agenda-setting

127. As discussed above, many respondents believe that documented evidence of a need for change in financial reporting should drive which projects are added to the Board's agenda. Respondents identified two broad drivers for change—the need to fill a gap in financial reporting or the need to improve an aspect of existing guidance.
128. The need to fill a gap in IFRSs is indicated where there is a known lack of guidance. Some respondents believe that these gaps will increase over time as new types of transactions evolve.
129. Indicators that existing standards needs to be improved include:
- (a) there are significant deficiencies in IFRSs resulting in divergence in practice;
 - (b) changes in markets or economies render the existing IFRS irrelevant; and
 - (c) the existing IFRS conflicts with other standards or the framework.

Feasibility approach

130. Many respondents that believe more research should be done on the feasibility of a project before it is added to the agenda. An initial study should be carried out, not only to demonstrate the need for the project, but also to identify possible solutions to ensure that the project would have a reasonable chance of success, within a reasonable time frame.
131. Supporters of this approach think that this assessment should be carried out throughout the life of the project and that projects with intractable problems, or

projects for which solutions have little support from stakeholders, should be abandoned.

Assigning priorities

132. Many respondents discussed the notion of ‘urgent and important’. An assessment of these criteria can vary by jurisdiction and by industry:

An issue would need to apply across jurisdictions (eg recognising intangible assets) or to an industry generally (eg insurance entities) before a standards-level project addressing the issue could be given priority over others. Thus, an issue that arises in a particular industry in a particular jurisdiction has an inherently higher hurdle to surmount before it should be considered for inclusion on the Board's agenda. *43 Deloitte Touche Tohmatsu*

133. Other respondents take a different view and believe the agenda should be set by looking at a balance between the resources required and the effect achieved. In their view, if an issue could be resolved efficiently and with little effort, even if it would affect relatively few stakeholders, it should be given priority.

Project-by-project review

134. The perceived need for standards-level projects varies to some degree by geographical region and industry. The prioritisation of individual standards is discussed in more detail in paper 5C Comment letter summary—*Priorities of standards-level projects*.

Maintaining IFRSs

135. This category has two strategic areas: post-implementation reviews (PIRs) and responding to implementation needs. In the RFV, the PIR process is examined in some detail. By comparison, less space is given to the Board's processes such as the work of the Interpretation Committee on interpretations and annual improvements or the prospect of narrow-scope improvements. Because of this apparent imbalance in description, many respondents answered as though PIRs

were the sole, or at least main, vehicle for refining IFRSs. In the analysis below, the staff have recorded some comments made on PIRs under the more general topic of responding to implementation needs.

136. The section on PIRs below focuses on a discussion of the PIR as separate stage in the due process life-cycle of a project. Comments on more general post-implementation review work that is carried out is included in the section on responding to implementation needs.
137. The interaction between strategic areas is very significant in maintaining IFRSs. Not only do comments made about PIRs and other ways of responding to implementation needs overlap, but maintenance of the conceptual framework is also seen by many as a key strategy for the maintenance, rather than the development, of IFRSs.

.. completing portions of the conceptual framework project may be the best way to respond to some implementation challenges. We note that the key purpose of the conceptual framework is to assist preparers of financial statements in applying IFRSs and in dealing with topics that have not yet formed the subject of an IFRS. *143 The Canadian Securities Administrator's Chief Accountant's Committee*

138. Many respondents believe that the consistent application of the principles noted in the conceptual framework would help to resolve many implementation issues.

Post-implementation reviews

Scope of the review

139. The Board's due process document refers to post-implementation reviews dealing with those items that were contentious during the standard's development and with a review of unexpected costs. Although supporting these aims, many consider this scope to be too narrow. Most respondents believe that the PIR should answer wider questions such as: was the objective of the IFRS achieved? and does the standard further the objectives of financial reporting?

A post-implementation review should consider whether the project achieved its overall objectives and the benefits have been realised. Therefore the resulting post-implementation review should, in or view, consider whether the standard:

- has resulted in more effective reporting
- provided information that actually meets users' needs
- is cost effective *42 UK ASB*

140. Many suggest that the process should focus on inconsistent application; while others suggest that the process should identify unintended consequences. A few warn that it may be difficult to restrict the PIR to an evaluation of the implementation of the standards. In their view, opponents of the original standard may see the PIR as an opportunity to reopen debate.

Standards subject to review

141. The IASB's due process commits us to undertake PIRs of new IFRSs and major amendments. Most respondents ignored the due process nature of the PIR and instead extended their comments to a more general review process. In this context, they considered the scope of the PIRs to be too restrictive.
142. Many believe that these reviews should take place in any areas in which stakeholders have concerns. The widely-held view is that a PIR should be initiated whenever significant implementation issues arise or wherever feedback suggests that the standard is not addressing users' concerns.
143. Some have suggested that these reviews should not be carried out for individual standards but should be done cohesively for groups of standards that are interrelated; eg there could be a single review of consolidations, joint arrangements and joint ventures and associates. The review should also cover related aspects of IFRSs, such as any related IC interpretations.

Timing of the review

144. Respondents express differing views on the timing of PIRs. In part this is because many view this as the only mechanism for resolving implementation issues.

(Comments from respondents that recommend an immediate response mechanism are included in the section on responding to implementation needs, paragraphs 159-184.) Some make the point that if a range of more urgent remedies were already available, the PIRs would be easier to perform because the initial heat will have dissipated.

145. A general view is that when considering PIRs as a due process step in the standard development cycle, two years after the effective date is too early. A common suggestion is 3-5 years.

The PIR process

146. Because the PIR process is untested, some have suggested the Board should seek broad input through a comment letter process, with a transparent analysis of feedback and the decisions taken on the basis of that feedback. Others suggested that it was important to maintain momentum in the process without getting bogged down. Most have suggested that the Board should define the methodology in some detail and seek feedback on the proposals before starting the review.
147. Some have also suggested that the PIR process should be altered in a manner that they believe would give greater transparency and independence. A few respondents believe that the Board should not be involved in the process. The PIR could be steered either by the IC or by a committee drawn from the Trustees and reporting directly to them. These respondents believe that this separation of the process from the Board would enhance the credibility of the work.
148. There is a view that in all cases the process needs to be open to frank debate and rigorous analysis of the feedback received.

Outcomes of the review

149. Respondents emphasise the importance of following through on the PIRs with clear outcomes. The process should deliver two types of benefits—improvement to the standard under review, as well as broader input into the methodology to improve the future standard-setting process.

150. The PIR should help us to understand how to develop new standards better and how best to avoid unintended consequences. It should also determine whether the effect analysis has captured all relevant effects.
151. The standard reviewed should also be improved where necessary. If the problem arises because of a fault in the standard, such as unforeseen consequences, this should be resolved as a narrow-amendment project. Issues that arise because of problems with interpretation or application will require further guidance or education.
152. Some respondents believe that the PIR process should input directly into the agenda-setting process. Others hold the contrary view—that the review should only address whether due process was adequate and whether the standard met users' needs.

Improving quality before standards are issued

153. A number of respondents have emphasised that the PIR process should not be a substitute for rigorous standard-setting or be used as a justification for taking short cuts in development.
154. Some have noted that field testing of the Board's proposals is in many respects a mirror image of the PIR. Extensive field testing should ensure that the effect of any standard is understood in detail before it is issued. In assessing the effect of any standard, the effect analysis is viewed by many as indispensable.
155. Some noted that it is difficult to predict the effect of any standard, or assess its impact, until it is finalised. One respondent suggested testing issued standards before the effective date to identify required refinements or necessary supplementary guidance.
156. There is a general view that the Board should redouble its efforts in field testing and effect analysis, and not rely on PIRs to fulfil that purpose.

Triennial review of SMEs

157. Only a few respondents mention the forthcoming review of SMEs, but those respondents suggest that this review should not simply be a maintenance exercise. Comments vary a great deal about which areas the three-yearly review should address.

- (a) Some believe the review should address issues identified as contentious during its development, such as taxation. In this respect the review will have some characteristics of a PIR.
 - (b) Others believe that the needs of SMEs do not change greatly over time and so the standard needs to be updated only for known changes.
 - (c) Still other respondents challenge the need for a separate standard for SMEs. They believe that only one set of principles should apply to all entities. An extension of this view is that a single set of accounting standards should be applied to an entity throughout its entire life cycle.
158. Others are concerned that some emerging economies make the transition to the SME standard as a first stage in the adoption of ‘full’ IFRSs.

Responding to implementation needs

159. Respondents’ discussion of how the Board responds to implementation needs was diverse. Many note that the Board’s resources have not focused on this area in previous years.
160. Respondents stress that the consistent application of the existing standards should form the basis of high quality financial reporting globally. Others note that the quality of any standard is judged by how easily, and consistently, it is implemented. Some respondents noted that a principles-based set of standards can place greater burdens on preparers.
161. For these reasons most respondents agreed that the IASB should focus its attention in this area in the next three years.
162. Some respondents obviously felt that the range of processes in place to support this need are not clearly defined as yet. Because of the need for the 2004 stable platform; the emphasis on the MOU projects and the requirement by the G20 to address the financial crisis some feel that this area has been largely overlooked by the IASB and that robust, tested processes are not yet in place to respond to implementation needs.
163. Others referred to specific areas of help that have been received:
- The education note ‘Depreciation and IFRS’ ... is a good example of the Board taking appropriate measures in

regard to the needs of individual jurisdictions. 157
Keidanren

Types of implementation support

164. Respondents identified four types of implementation support to ensure:

- (a) consistent application and implementation is assured;
- (b) unexpected issues arising from the application of new standards are identified and addressed before they become widespread;
- (c) issues are responded to quickly; and
- (d) adopters receive particular support.

Consistent application and implementation

165. Many have suggested that we need a continuous review programme to identify problems in IFRSs. This would involve a methodical review of related standards on a rotating basis to identify application issues and to provide targeted guidance to promote consistent implementation.
166. This maintenance activity would address both on-going implementation issues and divergent practice. Many think that as the use of IFRSs expands risks of inconsistent application of standards and of inconsistent understanding of principles would arise.
167. Some have suggested a separate clarity project to review existing IFRSs to determine whether the requirements are clearly understood in practice or whether more guidance is needed.
168. Others favour a continuous review process. In particular, they point to the need for implementation support in the next three years:

In 2012 an intense period of transition and familiarisation will take place. Some of the new standards are very complex and will require effort to implement. Numerous standards have evolved since 2004. Stabilising the existing IFRS platform will allow a focus on quality assurance and resolution of issues common to all existing standards. 83

EDF SA

169. Constant review would allow the maintenance activities to focus on those areas in which application and implementation are being debated in practice.

Unexpected issues

170. Some have suggested establishing a mechanism similar to that used by the International Audit and Assurance Standards Board to enhance the responsiveness of standards. These issues could be identified in the first instance by early applicers or by those making the transition to IFRSs.
171. Others have suggested closer links with the full range of jurisdictions. In their view, worldwide application is bound to reveal problem areas, because the differing environments will test the standards against a greater range of criteria. Issues that are first identified locally could be a first indication of a later, more widespread, issue.
172. Many have also suggested enhanced interactions with all jurisdictions to ensure that national interpretations are avoided. Some believe that a ‘priority route’ should be developed to ensure that local issues are escalated to the Board’s attention.

Rapid response to issues

173. One criticism is that at present these maintenance activities are too internalised and restricted to a few forums with limited input from published research, academics or preparers. This view accuses us of a lack of timeliness in dealing with implementation issues and a general lack of responsiveness.
174. The topic of bearer assets in IAS 41 *Agriculture* is quoted as an example of this. Identified by the Australian ASB as a problem on transition to IFRSs in 2003, they proposed a solution in 2004. The Malaysian ASB also subsequently developed proposals to deal with this issue six years later. Because of commitments elsewhere, the Board has not yet acted on either proposal.

Particular support for adopters

175. Jurisdictions considering adopting IFRSs require particular support. Many respondents believe that special resources should be dedicated to helping individual jurisdictions. An awareness of their issues should also result in a general improvement in the quality of the standards.

A wider range of support and standard-setting activities

176. Some respondents believe the Board should extend its review of the effectiveness of standards to cover areas previously outside the Board's purview:
- (a) facilitate a review of enforcement;
 - (b) reinforce worldwide effective implementation; and
 - (c) enhance comparability between jurisdictions.
177. Other respondents have suggested that the scope of IFRSs should be reviewed. Some respondents suggested that the application of IFRSs to other types of entities, such as public authorities and charities, should be considered.

Role of the Interpretations Committee

178. The role of the Interpretations Committee (the IC) was discussed by a number of respondents.
179. Many respondents believe that the IC has a key role to play in maintaining IFRSs and should take on responsibility for activities in this area, to leave the Board free for standards-level projects. The IC should provide interpretations, amendments through the annual improvement process and address worldwide implementation issues through narrow-scope projects. Many suggest that the Board should consider clarifying the work to be undertaken by the IC and also determine what levels of resources should be allocated to this work.
180. It has been suggested that the IC should give top priority to narrow-scope improvements that would produce 'quick win' improvements to IFRS. Many believe that there are a number of such initiatives that would not require significant resources but that would significantly improve the quality and consistency of application globally.
181. Some also believe the IC should act as a facilitating forum to co-ordinate work done by national standard-setters. Many standard-setters have stated they would welcome the opportunity to act as an additional resource in these activities. Standard-setters could monitor issues in their jurisdictions by liaising with stakeholders, including regulators, in their region. Alternatively, the IC would deal direct with regulators, standard-setters and users to collect data on issues as

- they arise. The IC could be used not only to record what issues arise locally but how they are addressed within the individual region or jurisdiction.
182. It was also noted by some respondents that devolving work to the IC could enhance the credibility of that work and that some areas, such as the due process aspects of PIRs, should be devolved to the IC for that reason.
183. There was some criticism of the IC's previous lack of urgency in addressing the right issues in a timely manner. Some have commented that referring issues to the IC in the past has not always ensured resolution, because its agenda decisions do not have official status.
184. Key messages from the respondents are that the activities of the IC should be increased; the Board should devolve maintenance of IFRS to the IC; and the status of the IC's work should be raised.

Balance between strategic areas

185. A few respondents suggested that the IASB's agenda should achieve a balance between all activities of agenda-setting, but such comments were rare.
186. There is a widely-held view that the IASB should establish a period of calm and devote that period to maintaining existing IFRSs. Research should be limited to evidence-gathering about users' needs and weaknesses in financial reporting; standards-level projects should be limited and restricted to identified gaps in IFRSs.
187. Maintenance of IFRSs should include the creation and maintenance of the conceptual framework. Most respondents attributed a high priority to this, although many suggested that work done on the conceptual framework in the next three years should be targeted on remedying existing deficiencies in IFRSs.
188. The staff note that respondents' views on agenda-setting can vary by geographical region and by the phase at which their jurisdiction is in the transition to IFRSs. Long-standing users of IFRS generally welcome a series of targeted improvements to maintain the overall quality of existing IFRSs. Jurisdictions that are about to adopt IFRSs are more concerned with ensuring adequate levels of adoption support and a period of calm.

APPENDIX A

Questions asked in the Request for Views – Agenda Consultation 2011

- A1. Question 1: What do you think should be the IASB’s strategic priorities, and how should it balance them over the next three years?
- A2. Question 1(a): Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think that the IASB should develop its agenda, and why?
- A3. Question 1 (b): How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB’s agenda, please include these in your answers.
- A4. Question 2: What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?
- A5. Question 2(a): Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice.
- A6. Question 2(b): Adding new projects to the IASB’s agenda will require the balancing of agenda priorities with the recourse available. Which of the projects previously added to the IASB’s agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB’s agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).