



The header features the EFRAG logo on the left, followed by navigation links: About Us, Projects, Meetings, PAAinE, and Endorsement Status. A home icon is located to the left of 'About Us'. On the right, there is a 'Restricted Area' login section with fields for 'login:' and 'password:'.

18-10-2007 | Convergence talks between EFRAG and the IASB

On 15 October 2007 an EFRAG delegation met for the fourth time with representatives of the IASB in London to discuss issues relating to the IASB's convergence projects and other topics. This meeting forms part of a consultation arrangement between the IASB and EFRAG.



The EFRAG delegation, which included the Chairs of three European standard-setters (France, Germany and the UK), discussed with the IASB representatives some 'big picture' issues and also some more narrow, project specific issues. In particular, participants discussed aspects of the IASB/FASB convergence projects on Income Taxes, Business Combinations and Consolidations, the Framework, Equity / Liability definition, and Pensions. The discussion also touched on prioritisation of, and linkage between, IASB projects and participants also exchanged views on 'IFRS Branding'.

- **Prioritisation:** The progress of, and priorities being attached to, the various projects referred to in the Memorandum of Understanding (MoU) between the IASB and the FASB were discussed. The IASB representatives explained that a number of exposure drafts and discussion papers were due to be published in the next few months and at that point, with just two exceptions, the IASB's work envisaged by the MoU would be largely completed. The two exceptions were Fair Value Measurement—where the IASB had responded to requests from constituents (including Europe) to issue a discussion paper rather than an exposure draft—and Income Tax. The IASB representatives were confident that these delays were not a cause for concern. The EFRAG delegation noted that, according to the IASB's Technical Plan, 5 exposure drafts and 6 discussion papers would be issued in the next 6 months. Responding to all these papers would represent a considerable work load for the IASB's constituents and, if it had to be done over as short a period as six months, the quality of the feedback the IASB receives was likely to be affected. The EFRAG delegation therefore suggested that, when the papers are ready to be issued, the IASB should schedule their publication in a way that maximises the likelihood of a good quality response. The IASB representatives noted the suggestion, although they also pointed out that having so many proposals out for comment at the same time would enable respondents to comment on the linkage between the proposals.

- **Linkage between projects:** The EFRAG delegation noted that recent IASB papers, such as the excellent Insurance Contracts Discussion Paper, had highlighted the linkage between the various projects and the existence of fundamental, but so far unresolved, cross-cutting issues. It can be really difficult to comment on issues that are affected by unresolved cross-cutting issues. The EFRAG delegation suggested that, as many of the issues seem to relate to measurement, the IASB could make things easier for its constituents and improve the quality of the responses it receives by finding ways of bringing forward its Framework work on measurement, and thereby resolving issues such as what view of an entity's financial position and performance it is that the financial statements are trying to portray.

- **IFRS Branding:** Participants at the meeting discussed the IASB's proposal to amend IAS 1 to require entities to explain the extent of their compliance with full IFRS and to describe the effects of any non-compliance. The EFRAG delegation explained that it thought there might be other, more appropriate, ways of approaching the issue. The IASB representatives explained that, although the IASB was exploring other approaches and would prefer the matter to be resolved without having to amend IAS 1, it does believe that is a problem that needs to be addressed.
- **Income Taxes:** The IASB representatives explained that the IASB and FASB had recognised that it was not possible currently to issue a common standard on income tax and therefore would be proposing that the two Boards issue standards that are converged in some areas but different in others.
- **Business Combinations and Consolidations:** The IASB representatives explained that publication of the revised IFRS 3 and IAS 27 was unlikely before November. The EFRAG delegation thought the importance of the project meant it was better to get it right than to do it quickly. It also reported that there were some significant concerns in Europe about the project and, as a result, it was not currently possible to predict the outcome of the endorsement process.
- **Stewardship:** The EFRAG delegation referred to the publication of the PAAinE paper on Stewardship and noted that the changes the IASB and FASB have tentatively decided to make to their proposed objective of financial reporting seemed to address the concerns raised in the paper, although obviously much would depend on the exact wording the Boards use to describe the revised objective.
- **Equity/Liability definition:** The EFRAG delegation updated the IASB on the current status of the draft PAAinE paper on the Equity/Liability definition. The IASB representatives explained the current status of the IASB's own long-term project on the subject, which would initially involve issuing a FASB Preliminary Views document as an IASB discussion paper. The EFRAG delegation noted that the PAAinE paper would be issued at around the same time as the IASB and FASB papers, and indicated that it would be appreciated if the IASB would feel able to make reference in its paper to the existence of alternative approaches, such as the one described in the PAAinE paper. Participants also discussed the arrangements for the forthcoming IASB roundtables on the IASB's proposals for puttable instruments.
- **Framework – Asset Definition:** The EFRAG delegation noted that the IASB and FASB were currently drafting a new definition of “an asset” and offered its support in testing the new term against various arrangements and different European backgrounds, particularly different legal jurisdictions and jurisdictions where English is not the first language.
- **Pensions:** The EFRAG delegation gave an update on the PAAinE project on pensions and offered to present the paper, when finalised, to the IASB Board. The IASB representatives updated participants on the progress the IASB was making on its own pensions project.
- **Possible new agenda items:** The EFRAG delegation noted that later in the year the IASB would consider adding one or possibly two new projects to its work programme, and it discussed with the IASB representatives the four main candidates: intangible assets, common control, emission rights and management commentary. The EFRAG delegation indicated that it had heard different views on the importance of the issues proposed, although it believed there was little appetite in Europe for the time being for a project on intangibles.

Finally the EFRAG delegation said the IASB should be aware of the perception it creates when it issues US GAAP documents as IASB discussion papers or exposure drafts. While the Boards might view this as an efficient way of making rapid progress, in fact such an approach also risks harming a project's progress because commentators seem inclined to perceive such papers as taking too narrow a perspective; it is also often unclear what the IASB intention/position is, which makes it difficult for the IASB's constituents to contribute effectively to the debate. The EFRAG delegation therefore encouraged the IASB to explain in its own Invitation to Comment on the Equity/Liability paper why such an approach was considered appropriate in this case.

Linked Project : [click here](#)

EFRAG (IVZW/AISBL) – 13/14 Avenue des Arts – 1210 Brussels – Belgium

[disclaimer](#) | [site map](#) | [powered by devcre](#)