Norsk RegnskapsStiftelse

15 January 2018

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Cc: EFRAG

Dear Sir/Madam

Exposure Draft 2017/5: Accounting Policies and Accounting Estimates - Proposed Amendments to IAS 8

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) is pleased to respond to your invitation to comment on the Exposure Draft proposing amendments to IAS 8 related to accounting policies and accounting estimates.

We support the IASB's work to make the definition of accounting policy clearer and more concise and to clarify how accounting policies relate to accounting estimates. However, in our opinion, the revised definition of accounting policy is still not sufficiently clear. Moreover, the Exposure Draft is silent on several issues that should be addressed in discussing the definition of accounting policies and how they relate to accounting estimates.

Our key comments are:

- Accounting policies should guide the operationalization of the fundamental qualitative characteristics in the Conceptual Framework. Therefore, the definition of accounting policy should include a clear link to relevance and faithful representation.
- Application of accounting policies might require the use of judgement and assumption. The proposed changes in the definition of accounting estimates seem to link accounting estimates to judgement and assumptions in relation to measurement. However, the Exposure Draft does not address the use of judgement and assumptions in applying accounting policies for recognition, derecognition, presentation and disclosures.
- In our view, selecting FIFO or weighted average cost formula does not constitute selecting an accounting policy.
- We believe that diversity in the way entities distinguish errors from changes in accounting estimates may be as pervasive as diversity in the way entities distinguish accounting policies from accounting estimates. Therefore, we suggest that this project also addresses the definition of error.

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The comments above are more fully explained in the appendix to this letter. You are welcome to contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,

Karina Vasstveit Hestås
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

Appendix

Responses to specific questions

Question 1
The Board proposes clarifying the definition of accounting policies by removing the terms ‘conventions’ and ‘rules’ and replacing the term ‘bases’ with the term ‘measurement bases’ (see paragraph 5 and paragraphs BC5–BC8 of the Basis for Conclusions). Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

We agree that the existing definition includes terms that are unclear. Removal of unclear terms may improve the definition. However, we are not convinced that the revised definition is sufficiently clear.

In our view, an accounting policy is an operationalization of the fundamental qualitative characteristics in the Conceptual Framework. Therefore, we believe that the definition of accounting policy should include a clear link to relevance and faithful representation. Further, when the IASB mandates, or the preparers of financial statements select, an accounting policy, the selection should be motivated by an assessment of relevance and faithful representation.

The proposed revision of the definition of accounting policy does not include any reference to relevance and faithful representation, and the terms that are included, are highly ambiguous. We agree to removing the terms *conventions* and *rules* from the definition, as these terms also were highly ambiguous, but we suggest that the remaining terms in the definition are reconsidered. In the following paragraphs, we will comment on each of the terms in the revised definition.

The term *principle* is an ambiguous term. In English dictionaries, we find several definitions of the term. One definition that seems relevant for the purpose of defining accounting policy is “A rule or belief governing one’s behaviour” (oxforddictionaries.com). However, this term is very wide and as part of the definition of *accounting policy* the term needs to be linked to relevance and faithful representation to fulfil its operationalization purpose. Moreover, the difference between *principle* and *measurement bases* and *practices* is also unclear, since the two latter also are *rules* and therefore are already captured by the term *principle*.

The term *measurement bases* provides some operationalisation into the definition. However, the definition is silent in relation to recognition, derecognition, presentation and disclosure. We had expected that accounting policies also should capture these dimensions of accounting.

The role of the term *practices* is also highly unclear. If the purpose of including the term is to capture accounting policies that are not described in any of the IASB’s standards or interpretations, but are developed by preparers in practice, we do not agree in including the term. An accounting policy is an accounting policy whether it is established through accounting standards or through practice. If the purpose is to include exceptions to a primary principle as part of the definition, we are more inclined to take the term into account. However, we still prefer to distinguish more clearly between the primary principles that are guided by relevance and faithful representation, and practical expedients.

For further discussion of this issue, we refer to the practical expedient in IFRS 15.63 as an example:

> *As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less* (IFRS 15.63).

This practical expedient is an exception to IFRS 15's principle for significant financing components in the transaction price:

> *In determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of [significant financing components]* (IFRS 15.60).

We presume that the adjustment for significant financing components, as stated in IFRS 15.60, is included as a principle because such an adjustment is considered necessary to make the measurement of transaction prices relevant and faithful representative. By applying the practical expedient in IFRS 15.63, the transaction price may be significantly different, and thereby the transaction price might be in conflict with the qualitative characteristics of relevance and/or faithful representation. We find it conceptually difficult to accept such conflicts as part of the definition of *accounting policy*. However, practical expedients may still be acceptable when considering cost-benefit. If the IASB permits such practical expedients and an entity applies them, the practical expedients are part of the specific principles applied by the entity. Hence, practical expedients should be considered as part of the entity's accounting policies. Nevertheless, it is crucial for both the preparers and the readers of financial reports as well as the standard setters to recognise when principles may result in information that does not meet the qualitative characteristics. Therefore, when a practical expedient is included as part of accounting policy, the definition of accounting policy (and the following accounting standards) should be explicit that it is a practical expedient.

In practice, entities may select practical approaches that do not fully comply with the principles that follow from the IFRSs, but the practical approaches are easier to apply and they do not cause the financial statements to be materially different from financial statements prepared in full compliance with the principles described in the standards. Such practical approaches are not the same as the practical expedients described above. Practical approaches without any material effect on the financial statements, are not considered to be deviations from the principles described in the standards. Practical expedients, however, may have a material effects on the financial statements, and are considered as deviations from the primary principles in the standards. While the application of practical approaches is under the preparers discretion, practical expedients cannot be applied unless it is approved by the IASB.

Finally, we do also suggest the IASB to reconsider the last part of the proposed definition. The last part refers to "preparing and presenting financial statements". This phrase is too wide; it captures elements of the closing process and the communication process that is far beyond what we expect from the definition of an accounting policy.

In summary, we recommend the IASB to develop further the definition of accounting policy to capture that the assessment of accounting policy is related to an assessment of the relevance and faithful representation of the policies. Moreover, the definition should be better linked to recognition, measurement, presentation and disclosure. We provide a first attempt for a revised definition that captures our concerns above. However, this attempt should be further developed:

> *Accounting policies are the specific principles applied by an entity in recognising, measuring, presenting and disclosing transactions and other events in the entity's financial statements to provide users with financial information that is relevant and faithfully represent what it purports to represent. The accounting policies do also include practical expedients that are approved by the IASB and applied by the entity.*

We also refer to our answer to question 4 for further considerations of the practical application of the definition of accounting policies and as an illustration of the underlying need for improving the definition of accounting policy.

Question 2
The Board proposes: a) clarifying how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and b) adding a definition of accounting estimates and removing the definition of a change in accounting estimate (see paragraph 5 and paragraphs BC9–BC16 of the Basis for Conclusions). Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?

We agree in defining *accounting estimate* rather than *a change in accounting estimate*, and we agree in the need to clarify how accounting policies and accounting estimates relate to each other. We do also agree in linking accounting estimates to measurement.

However, neither the Exposure Draft nor the existing IAS 8 address the use of judgement and assumptions in applying accounting policies for recognition, derecognition, presentation and disclosures and how changes in these judgements and assumptions should be reflected in the financial statements. These changes may influence the narratives as well as the numbers that are included in the financial statements. Here are some examples of recognition-issues that require judgement, which might affect the amounts recognised in the financial statements:

- the definition of control (e.g. IFRS 10)
- probability-thresholds (e.g. IAS 37.10)
- reliability-thresholds (e.g. IAS 37.10)
- definition of unavoidable costs (e.g. IAS 37.68)

We suggest that the IASB's revision of IAS 8 also addresses the use of judgement and assumptions in applying accounting policies for recognition, derecognition, presentation and disclosures.

Question 3
The Board proposes clarifying that when an item in the financial statements cannot be measured with precision, selecting an estimation technique or valuation technique constitutes making an accounting estimate to use in applying an accounting policy for that item (see paragraph 32A and paragraph BC18 of the Basis for Conclusions). Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

We agree

Question 4
The Board proposes clarifying that, in applying IAS 2 *Inventories*, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy (see paragraph 32B and paragraphs BC19–BC20 of the Basis for Conclusions). Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

We support examples that can illustrate how to apply the definitions of accounting policies and accounting estimates on specific cases. However, we do not support including a separate paragraph in IAS 8 dealing with cost formulas in IAS 2. IAS 8 should deal with general factors that can be applied to distinguish between accounting policies and accounting estimates in most circumstances. Specific examples should be included in Basis for Conclusions, in Illustrative Examples or in the standard dealing with the topic.

We are not convinced that the selection of FIFO or weighted average cost formula is a matter of accounting policy rather than a matter of accounting estimate. According to IAS 2.23 specific identification appears to be the primary principle for identification. IAS 2.25 requires that cost of inventories of items that are ordinarily interchangeable shall be assigned by using the FIFO or weighted average cost formula. If these two cost formulas were *permitted* as practical approximation methods, the main principle would remain the same and a choice between the cost formulas would be a choice between estimation methods. However, IAS 2.25 does not allow specific identification but *requires* one of the two cost formulas and, as such, the choice between the two alternatives may seem as a choice between two policies. Nevertheless, we are still not convinced that this choice is a matter of accounting policies.

In our view, a choice between accounting policies should be motivated by the qualitative characteristics relevance and faithful representation regardless of whether the choice is made by the standard setter or by the preparer of financial statements. To be a choice between accounting policies, the choice between FIFO and weighted average should be based on an assessment of which method is most relevant and faithful representative. Otherwise, it would seem to be a choice between estimation methods. If the IASB gives prepares free choice between alternatives without requiring an assessment of relevance and faithful representation (such as the choice between two cost formulas in IAS 2 or the choice between the cost model and the revaluation model in IAS 16), such a free choice should be dealt with in the same way as practical expedients discussed in our answer to Question 1. Such an override of the basic principle of choosing the most relevant and faithful representative policy, should not affect the definition in relation to the fundamental understanding of what an accounting policy is.

The IASB argues that the main principle of "specific identification of costs is inappropriate when there are large numbers of items of inventory that are ordinarily interchangeable. In such circumstances, the method of selecting those items that remain in inventories could be used to obtain predetermined effects on profit or loss" (IAS 2.24). In our opinion, such an aim of preventing manipulative actions is not the primary objective of accounting policies. Still, specific identification might be rejected if other identification will be more relevant and contribute to more faithful representation. If so, it can be argued that the Board's choice between specific and non-specific identification is the choice of accounting principles and the choice between cost formulas is a choice of estimation method within the principle of non-specific identification. In our opinion, this line of thinking is in line with the Board's own argument that "the accounting policy is the overall objective and the accounting estimates are inputs used in achieving that objective" (ED, BC9) – we cannot see that it is appropriate to consider FIFO or weighted average as an overall objective, but we can see arguments for considering specific or non-specific identification as an overall objective.

Question 5
Do you have any other comments on the proposals?

We appreciate the IASB's effort to clarify the definitions of accounting policy and accounting estimate to make it easier to distinguish between changes in accounting policies and changes in accounting estimates. However, we believe that diversity in the way entities distinguish errors from accounting estimates may be as pervasive as diversity in the way entities distinguish accounting policies from accounting estimates. Therefore, we suggest that this project also address the definition of error.

Moreover, the IASB has announced an exposure draft on accounting policy changes and we suggest the IASB to issue all proposed changes in IAS 8 at the same time.

28 May 2018

EFRAG
35 Square de Meeûs
B-1000 Brussels
Belgium

Dear Sir/Madam

EFRAG Discussion Paper: Equity Instruments – Impairment and Recycling

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) is pleased to respond to your invitation to comment on the *Discussion Paper - Equity Instruments – Impairment and Recycling.*

General comment

We state the fact that the discussion paper was initiated based on a request from the European Commission. However, IFRS 9 has been endorsed by the EU and is currently being implemented and applied for the first time in EU. Thus, the purpose with this discussion paper is somewhat unclear to us.

- Firstly, we want to be clear that we do not support a European IFRS 9 carve-in if that is the purpose of this process. Hence, we generally do not support this initiative if the purpose of the discussion paper is to initiate a process with the aim to make European only amendments to IFRS 9.

- Secondly, we question the timing if the purpose is to encourage the IASB to amend IFRS 9. We would support a fact gathering exercise with the aim to assess the appropriateness of the model for accounting for equity instruments scoped under IFRS 9. However, any suggestion to amend IFRS 9 should be based on facts (how investors actually act and not what they say they might do) and not assumptions or expectations. As the standard is currently being applied for the first time in the EU, we do not believe there is currently sufficient experience with IFRS 9 to consider changes to the model before the model has been applied in practise for some time. Further, we are surprised with the information provided in paragraph 1.14, indicating that some investors (especially within the insurance industry) might modify their asset allocation as a result of the new model. This is so surprising that we would urge EFRAG to investigate whether this is actually the case, and if so, the underlying reason for the change. For example, are there regulatory requirements affected by the reporting requirements in IFRS 9 that might explain these decisions?

Thus, we generally do not support initiatives to amend the principles of IFRS 9 at this point in time. Rather, we believe that EFRAG and the European Commission should focus their effort on providing relevant and useful input for the IASB to consider in relation to the post implementation review of IFRS 9.

We have provided comments to some of the conceptual proposals and/or questions laid out in the discussion paper in the appendix to this letter. The reflect our general view on the appropriateness of recycling and impairments to equity instruments measured at fair value under IFRS 9.

You are welcome to contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,

Karina Vasstveit Hestås
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

Appendix

Comments on some of the conceptual proposals and question

- *Recycling*: We are not convinced by the technical arguments put forward for re-introducing recycling in paragraph 2.3 to 2.10 and believe the IASB has provided valid arguments for their conclusion in IFRS 9 BC5.25b.

- *Dividends*: We acknowledge the issue raised in paragraph 2.5 and agree that this is a relevant question to raise. However, we are not particularly concerned with this issue in light of the transparency on where the dividend from these equity instruments are presented and the limited structuring possibilities related to such instruments (IFRS 9.BC5.25a).

- *Impairment:* We agree that some form of "impairment" model would be appropriate if recycling is to be reintroduced. However, we are concerned with the practical challenges involved in determining impairment losses related to such instruments and the usefulness of information obtained from such a model. It could be argued that an inherent part of a principles based impairment model will be a need to distinguish between fair value changes depending on whether a decline in value may be recovered or not ("temporary decline in value"?). That split can be a very challenging and highly subjective exercise to carry out in practise. We believe this challenge is an important reason why preparers often made use of some sort of generalised quantitative operationalisation of "significant or prolonged" under IAS 39. However, we do not believe this challenge should be solved by introducing rules based "bright lines" as suggested by the discussion paper, and particularly not generalised bright lines to be applied across equity instruments with different volatility. If it is not possible to draw this distinction in a way that provides meaningful and relevant information, or the conclusion becomes too arbitrary and judgemental to provide useful and comparable information, we would question whether this distinction is appropriate to equity instruments measured at fair value. Do investors really want preparers to carry out an assessment of whether a decline in the fair value of an equity instrument is likely to be temporary? How useful will this distinction be if it does not reflect what it purport to reflect?

- *Revaluation approach*: We tend to see some merits in the revaluation model if recycling is reintroduced by the IASB. Even though some argue that this is not an impairment model as such, it will at least provide information about unrealised loss on an equity instrument with fair value below cost ("lower of cost and market"). This could provide useful information, the model will increase comparability, reduce complexity (easily understandable), and provide information that is transparent and less subjective then an "incurred loss" approach.

- *Unit of account*: We do not support a portfolio approach and believe the unit of account of a potential impairment model should be the individual investment.

- *Reversal of impairment*: We believe that subsequent reversals of impairments should be reflected in profit or loss and presented as such, irrespective of potential impairment model.

- *Cost:* We believe the standard should prescribe the basis for determining cost to be the weighted average cost (fungible).

Norsk RegnskapsStiftelse

18 July 2018

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Cc: EFRAG

Dear Sir/Madam

Exposure Draft 2018/1: Accounting Policy Changes - Proposed Amendments to IAS 8

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) is pleased to respond to your invitation to comment on the Exposure Draft ED/2018/1 proposing amendments to IAS 8 related to accounting policies changes.

The NASB supports the IASB's work to facilitate changes in accounting policies when new policies result in more relevant information that faithfully represents the phenomena that it purports to represent. However, the NASB is not convinced that all changes in accounting policies resulting from agenda decisions should be considered voluntary, and it does not agree in distinguishing between those voluntary accounting policy changes that result from agenda decisions and those that result from other voluntary changes in accounting policies. When accounting policy changes are considered voluntary, there is no need to regulate the timing of the implementation of the change.

Moreover, the NASB does not agree in introducing a new threshold based on cost-benefit considerations by the reporting entities to facilitate voluntary changes in accounting policies. Rather, the NASB encourages the IASB to consider modified retrospective application as an option for *all* accounting policy changes (ref IFRS 15.C3(b) as an example).

The comments above are more fully explained in the appendix to this letter. You are welcome to contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,

Karina Vasstveit Hestås
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

Appendix

Responses to specific questions

Question 1

The Board proposes to amend IAS 8 to introduce a new threshold for voluntary changes in accounting policy that result from an agenda decision published by the IFRS Interpretations Committee. The proposed threshold would include consideration of the expected benefits to users of financial statements from applying the new accounting policy retrospectively and the cost to the entity of determining the effects of retrospective application.

Do you agree with the proposed amendments? Why or why not? If not, is there any particular aspect of the proposed amendments you do or do not agree with? Please also explain any alternatives you would propose, and why.

The NASB does not support the proposals in the exposure draft insofar as it disagrees with introducing a distinction between voluntary changes in accounting policies resulting from agenda decisions and other voluntary changes in accounting policies. Moreover, the NASB does not agree in introducing a new threshold based on the reporting entities' cost-benefit consideration; different entities will probably consider cost-benefit very differently, especially the benefits. Rather, the NASB suggests that the IASB considers modified retrospective application as an option for all policy changes. To the NASB's knowledge, the modified retrospective method in IFRS 15. C3(b) has worked well and such a method should be considered as a general option for all accounting policy changes.

Question 2

The Board decided not to amend IAS 8 to address the timing of applying a change in accounting policy that results from an agenda decision published by the IFRS Interpretations Committee. Paragraphs BC18–BC22 of the Basis for Conclusions on the proposed amendments set out the Board's considerations in this respect.

Do you think the explanation provided in paragraphs BC18–BC22 will help an entity apply a change in accounting policy that results from an agenda decision? Why or why not? If not, what do you propose, and why? Would you propose either of the alternatives considered by the Board as outlined in paragraph BC20? Why or why not?

The NASB agrees that reporting entities must have sufficient time to implement accounting policy changes. However, the proposed regulation appears somewhat strange. Firstly, as long as the change is considered voluntary, the time for implementation should also be voluntary. It appears from the discussion in the exposure draft that some agenda decisions are considered mandatory. In such cases, the IASB should decide a deadline for change that gives the reporting entities sufficient time. Secondly, if agenda decisions are discussed in authoritative sources, such as in accounting standards, the agenda decisions do not appear as non-authoritative as other non-authoritative sources.

Norsk RegnskapsStiftelse

European Commission
Alain Deckers
DG-FISMA
Unit B3 Accounting and financial reporting
1049 Brussels
Belgium

18 July 2018

Dear Mr Deckers,

Re: EC public consultation with respect to the Fitness check on the EU framework for public reporting by companies

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board - the NASB) would like to comment on the public consultation of the European Commission with respect to the "Fitness check" for EU's framework for public reporting.

The NASB has also co-signed a joint comment letter from the National Accounting Standard Setters in Europe, and we refer to this letter for the overall response as it relates to the IFRS regulation, non-financial information and digitalisation. In short, we do not see the need for a review of the IFRS regulation at the current stage, and do not support a change where EU is provided with a tool that in the end may establish a European version of IFRS, and thereby losing the thrust in the direction of one true global accounting language to communicate financial information.

In the enclosure to this letter we will summarise our answers to the questions raised as it pertains to the financial reporting framework applicable to all EU companies (Question 14,15, 17 and 18) the IFRS regulation (Question 19-24), and bring forward a suggestion for change of the reporting frequency (Question 30). To be clear, all our answers have also been submitted through the online questionnaire: (http://ec.europa.eu/info/consultations/finance-2018-companies-public-reporting_en)

You are welcome to contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,

Karina Vasstveit Hestås
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

Elisabet Ekberg
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Answers to the questionnaire # 14,15, 17 and 18

14. Do you agree that the EU approach is striking the right balance between preparers' costs and users' needs, considering the following types of companies?

Medium-sized: 4
Small: 4
Micro: 1

Regarding micro-companies we consider the Accounting Directive to allow to few real simplifications for these enterprises. If the puropose is simplification for micro-companies we think the regulation should diverge more compared to small-companies.

15. In general, should the EU strive to use a single definition and unified metrics to identify SMEs across all the EU policy areas?

5

In relation to strive to use a single defintion and unified metrics, we think that contract workers have to be considered in the same manner as employees.
In addition, it is a need to clarify how to treat different types of income while considering the metrics/thresholds.

17. Is there any other information that you would find useful but which is not currently published by companies?

No

18. Do you think that the EU framework should define and require the disclosure of the most commonly used alternative performance measures?

1

Alternative performance measures such as EBITDA is not defined by the IASB. We therefore cannot see the arguments for the EU to define performance measures in the financial reporting framework.

Answers to the questionnaire # 19-24

19. Given the different levels of commitment to require IFRS as issued by the IASB around the globe, is it still appropriate that the IAS Regulation prevents the Commission from modifying the content of IFRS?

Yes. The 'problem' of level playing field is not deemed relevant, as financial reporting at large are on the pathway to convergence. We have no experience from entities facing difficulties in the capital markets due to the use of IFRS.

20. Since the adoption of IFRS by the EU in 2005, topics such as sustainability and long-term investment have come to the forefront of the regulatory agenda. Is the EU endorsement process appropriate to ensure that IFRS do not pose an obstacle to broader EU policy objectives such as sustainability and long-term investments?

Yes.

21. How could the EU ensure that IFRS do not pose an obstacle to sustainability and long-term investments:

Other: We are not convinced that the accounting language used is capable of affecting decisions within the business environment that is contrary to the common good in relation to sustainability and long-term investments. As an example: Measurement and presentation of external effects related to negative environmental impact is outside the boundary of the financial statements for the entity, but if governments impose levies or subsidies to entice entities to sustainable solutions they should take into consideration how these levies or subsidies are recognised and measured in the financial statements to ensure they are designed with the optimal communicative effect.

22. The True and Fair view principle should be understood in the light of the general accounting principles set out in the Accounting Directive. By requiring that, in order to be endorsed, any IFRS should not to be contrary to the true and fair view principle, a link has been established between IFRS and the Accounting Directive. However, the principle of true and fair view is not laid down in great detail in the Accounting Directive, nor is it underpinned by e.g. a European Conceptual Framework that would translate these principles into more concrete accounting concepts such as recognition and measurement, measurement of performance, prudence, etc. Do you think that an EU conceptual framework should underpin the IFRS endorsement process?

No

23. The EU has not endorsed the IASB Conceptual Framework for Financial Reporting. The conceptual framework is a set of concepts used to develop IFRSs but can also be helpful in interpreting how IFRS standards have to be understood and applied in specific circumstances. This could enhance a common application of IFRSs within the EU.

Should the EU endorse the IASB Conceptual Framework for Financial Reporting?

3

Please explain your response and substantiate it with evidence or concrete examples.

We are not sure that endorsing the CF will make a substantial change to the current legal situation. The CF is implicitly used in EU already by reference from IAS 8 when the entities have to establish accounting policies. However, if the alternative is to develop a separate framework for EU, we strongly support endorsing the Conceptual Framework of the IASB instead. We are not able to foresee the legal consequences of endorsing the CF, and are worried that endorsing the CF into the regulation may change the status of the CF to a more *authoritative level than it currently has and create tension between the standards and the CF, thereby opening up for more solutions and increase diversity.*

24. Contrary to the Accounting Directives the EU endorsed IFRSs do not require companies to present financial information using a prescribed (minimum) lay-out for the balance sheet and income statement. Mandatory use of minimum layouts could enhance comparability of human readable financial statements.

Do you agree with the following statement?
Prescribed (minimum) layouts enhance comparability of financial statements for users and should therefore be introduced for companies using IFRS.

2 Mostly disagree

Please explain your response and substantiate it with evidence or concrete examples.

Prescribing a minimum layout for the primary statements would be difficult to achieve without interpreting certain aspects of IAS 1 and introduce a risk of putting similar technical subject matters into one line item, but where the substance of the matter may vary between the entities according to their business model.

30. Should anything be done to improve public reporting by listed companies (documents, information, frequency, access, harmonisation, simplification)?

According to the accounting directive, the half-year report is mandatory for listed companies. Companies may elect to report more frequently, but the half-year report is nevertheless mandatory. This means that reporting three times a year is not possible. We argue that to provide more information should be allowed. As an example: Companies in our territory in general reports on the calendar year, and thus often significantly affected by whether Easter, where we have a long holiday season, is in March or April. By allowing companies to report every four months, this volatility that affects both first and second quarter is eliminated. Also, preparing the interim statements in spring and late autumn is more practical as it moves the closing process out of typical vacation periods. It may be that reporting two four months' periods may require the same level of involvement for the Board for both reports as for the current half-year report, but this may be acceptable for companies that want to move to this reporting frequency.