



European Financial Reporting Advisory Group

Efrag

Current
projectsProjects
alphabetical

Meetings

Convergence talks between EFRAG and the IASB

On 17 October 2006 EFRAG met with the IASB in London in order to present the European view on certain convergence topics. This was the second meeting of that kind, being part of a consultation arrangement between the IASB and EFRAG.

During the meeting EFRAG pointed out that since the last meeting the IASB had taken a number of decisions and made a number of announcements that are believed to be very helpful for European - in fact all - constituents. These included the announcement of the 'period of calm' until 2009, as well as the decision to publish as Discussion Papers, rather than as Exposure Drafts, the IASB's progress relating to the Conceptual Framework project, and the set-up of roundtables.

The European representatives, which included EFRAG and the chairmen of three European standard-setters, discussed with IASB members in broader detail the European view on major convergence topics, such as Equity-Liability accounting, Financial statement presentation, Business Combinations, Conceptual Framework, Revenue Recognition and Borrowing Costs.

EFRAG informed the IASB of their general support of the convergence activities between the IASB and the FASB, however the EFRAG delegation raised a number of concerns on specific projects as well as the process in general.

The main European views presented on the

7-9 November 2006
EFRAG TEG meeting /
open to public

Convergence talks
between EFRAG and
the IASB

IASB Discussion paper
on the Conceptual
Framework

Final CL on ED of
Amendments to IAS
32 and IAS 1 Financial
Instruments Puttable
at Fair Value

EFRAG Update - Oct 06

Archive

different topics can be summarized as follows:

- *Equity-Liability accounting:* There appears to be a widely held view that the existing equity/liability classification requirements are not satisfactory. These problems are proving to be a barrier towards the wider adoption of IFRS in certain European countries . EFRAG encouraged the IASB to ensure that the Framework project and the Equity-Liability project were running in parallel.
- *Financial statement presentation:* Europe has not been persuaded thus far of the need for fundamental change as envisaged by the IASB. It is therefore of paramount importance that this issue is very thoroughly debated in the Discussion Paper proposed by the IASB. Europe is slightly anxious about certain working principles set by the IASB, partly because - despite their importance - they had not been broadly discussed upfront.
- *Business combinations:* The European view is that it is inappropriate to either propose or implement any major changes to the existing measurement model until a debate on measurement has been conducted. EFRAG also indicated its concerns in connection with the full goodwill method, especially where minority interests are involved. Finally, Europe inquired as to how the IASB views the due process on this project, particularly bearing in mind that, although the proposals were widely criticised by commentators, it appears that to date the IASB has not agreed to many of the changes that are likely

to address the main concerns raised.

- *Conceptual Framework*: Europe's view was that it is concerned about the burden that is being placed on several assertions made in chapter 1 of the Discussion Paper, without justifying them. EFRAG also presented the European view on the proposed Framework's treatment of stewardship and accountability, which are treated as a sub-objective of the resource allocation decision usefulness objective. Finally, EFRAG believed that it is inappropriate, at the current time, to omit the notion of 'substance over form' as a sub-characteristic of good financial information.
- *Revenue Recognition*: Under the European PAAinE initiative, the German standard-setter and EFRAG have been working jointly on a paper on revenue recognition. The paper is nearing completion and is expected to be issued by early December.
- *Borrowing costs*: EFRAG has decided not to support the proposals in the recently-published ED on this short-term convergence issue. The matter was discussed and EFRAG had questioned whether the degree of convergence that will be achieved through these proposals is sufficient to justify the disruption that implementing the proposed changes will cause.

During the discussion, EFRAG also pointed out the importance of the Proactive Accounting Activities in Europe (or PAAinE) initiatives and the different discussion papers that are currently under development.

The next consultation meeting will be held in April 2007.

Project: [Convergence](#)

[▢back](#)

[Home](#) | [Restricted area](#) | [Links](#) | [Search](#) | [Contact](#) | [Disclaimer](#)
|