Effects of using International Financial Reporting Standards (IFRS) in the EU: public consultation

Fields marked with * are mandatory.

Impact of International Financial Reporting Standards (IFRS) in the EU: public consultation

Purpose of the consultation

The European Commission is holding a public consultation to seek views from all interested parties on their experience of Regulation 1606/2002 ("the IAS Regulation"). The results of this public consultation will feed into the European Commission's evaluation of the IAS Regulation.

Background

Applying internationally accepted standards - the International Financial Reporting Standards (IFRS) - means standardising companies' financial reporting to make financial statements more transparent and comparable. The ultimate aim is for the EU capital market and the single market to operate efficiently.

Scope of the IAS Regulation

The IAS Regulation states that the IFRS must be applied to the consolidated financial statements of EU companies whose securities are traded on a regulated EU market. EU countries may extend the application of IFRS to annual financial statements and non-listed companies (view an update on the use of options in the EU). The Transparency Directive (2004/109/EC), as subsequently amended, also stipulates that all issuers (including non-EU ones) whose securities are listed on a regulated market located or operating in an EU country must use IFRS.

Impact of the IAS Regulation

The implementation of IFRS in the EU has had an impact on cross-border transactions, trade, the cost of capital, investor protection, confidence in financial markets and stewardship by management. However, it is difficult to differentiate their impact from that of other significant factors, including other regulatory changes in the EU and internationally.

Developments since adoption

Over 100 countries now use IFRS. These accounting standards have been increasingly discussed at international level (e.g. G20, Basel Committee) and with various interested parties in the EU, especially in the wake of the financial crisis.

Several initiatives concerning technical issues and governance are under way at both international and EU level. In the EU, the Maystadt report's recommendations are being implemented. These are designed to strengthen the EU's contribution to achieving global and high quality accounting standards by beefing up the role of the European Financial Reporting Advisory Group (EFRAG), which advises the Commission on IFRS matters.

Current Commission evaluation

The Commission is evaluating the IAS Regulation to assess:

- IFRS's actual effects
- how far they have met the IAS Regulation's initial objectives
- whether these goals are still relevant
- any areas for improvement.

This consultation is part of the evaluation process. The questionnaire was drafted with the help of an informal expert group which is to assist the Commission throughout the process.

Target group(s)

Any interested party - commercial, public, academic or non-governmental, including private individuals.

Especially: capital market participants and companies preparing financial statements or using them for investment or lending purposes (whether or not they use IFRS).

Consultation period

7 August — 31 October 2014 (12 weeks).

How to submit your contribution

If possible, to reduce translation and processing time, please reply in one of the Commission's working languages (preferably English, otherwise French or German).

Contributions will be published on this website with your name (unless - in your response - you ask us not to).

N.B.: Please read the specific privacy statement to see how your personal data and contribution will be dealt with.

Reference documents and other, related consultations

- IAS/IFRS standards & interpretations
- IFRS Foundation
- European Financial Reporting Advisory Group (EFRAG)
- Commission reports on the operation of IFRS

Results of public consultation & next steps

The results will be summarised in a technical report and will feed into the evaluation report to be presented by the Commission in line with Article 9.2 of Regulation 258/2014.

Questions

Please note that some questions do not apply to all groups of respondents.

Who are you?

1. In what capacity are you completing this questionnaire?
If it's *not* on behalf of an organisation, please indicate that you are a "private individual".*

- ○ Company preparing financial statements *[some specific questions for preparers marked with 'P']*
- ○ Company using financial statements for investment or lending purposes *[some specific questions for users marked with 'U']*
- ○ A company that both prepares financial statements and uses them for investment or lending purposes *[some specific questions for preparers and users marked with 'P' and 'U']*
- ○ Association
- ◉ Accounting / audit firm
- ○ Trade union / employee organisation
- ○ Civil society organisation / non-governmental organisation
- ○ Research institution / academic organisation
- ○ Private individual
- ○ Public authority *[one specific question for public authorities marked with 'PA']*
- ○ Other

2. Where is your organisation/company registered, or where are you are located if you do not represent an organisation/company? Select a single option only.*

- ( ) EU-wide organisation
- (•) Global organisation
- ( ) Austria
- ( ) Belgium
- ( ) Bulgaria
- ( ) Croatia
- ( ) Cyprus
- ( ) Czech Republic
- ( ) Denmark
- ( ) Estonia
- ( ) Finland
- ( ) France
- ( ) Germany
- ( ) Greece
- ( ) Hungary
- ( ) Ireland
- ( ) Italy
- ( ) Latvia
- ( ) Lithuania
- ( ) Luxembourg
- ( ) Malta
- ( ) The Netherlands
- ( ) Poland
- ( ) Portugal
- ( ) Romania
- ( ) Slovakia
- ( ) Slovenia
- ( ) Spain
- ( ) Sweden
- ( ) United Kingdom
- ( ) Norway
- ( ) Iceland
- ( ) Liechtenstein
- ( ) Other European country
- ( ) Other

3. What is the name of the organisation or authority you represent? If you are part of a group, give the name of the holding company as well.*

Grant Thornton International Ltd

4. In the interests of transparency, we ask organisations to supply relevant information about themselves by registering in the Transparency Register (http://ec.europa.eu/transparencyregister). If your organisation is not registered, your submission will be published separately from those of registered organisations. Is your organisation registered in the European Parliament/Commission Transparency Register?*

- (•) Yes
- ( ) No

4.1. Please give your registration number.*

32374939743-15

5. In the interests of transparency, your contribution will be published on the Commission's website. How do you want it to appear?*

- (selected) Under the name supplied? (*I consent to the publication of all the information in my contribution, and I declare that none of it is subject to copyright restrictions that would prevent publication.*)
- Anonymously? (*I consent to the publication of all the information in my contribution except my name/the name of my organisation, and I declare that none of it is subject to copyright restrictions that would prevent publication.*)

Relevance of the IAS Regulation

Objective

6. The rationale for the IAS Regulation, imposing internationally accepted standards - the International Financial Reporting Standards (IFRS) - was to make companies use the same set of accounting standards, thus ensuring a high level of transparency and comparability of financial statements. The ultimate aim was to make the EU capital market and the single market operate efficiently.

In your view, are the Regulation's objectives still valid today?*

- (selected) Yes
- No
- No opinion

6.1. Comments.

The goals of transparency and comparability remain equally, if not more, valid today as they were when the IAS Regulation was first contemplated and published. We believe the financial crisis and sovereign debt crisis have emphasised the need for high quality financial information as a pre-requisite to restoring confidence. The use of a consistent set of accounting standards by EU-listed companies continues to serve these goals and thereby contribute to the efficiency of the EU capital market.

7. The IAS Regulation refers to IFRS as a set of global accounting standards. Over 100 countries use or permit the use of these standards. The US, for instance, allows EU companies listed in the US to report under IFRS. However, it continues to rely on its "generally accepted accounting principles" (GAAPs) for its domestic companies' financial statements, while the EU requires IFRS to be used for the consolidated accounts of EU listed companies.

Has the IAS Regulation furthered the move towards establishing a set of globally accepted high-quality standards?*

- (selected) Yes
- No
- No opinion

7.1. Please explain.

We believe the IAS Regulation has been a very significant catalyst for the growing use of IFRS around the world. According to the IFRS Foundation's research: (a) 105 of 130 jurisdictions now require the use of IFRS by all or most public companies; and (b) the majority of other jurisdictions permit the use of IFRS.

Scope

8. The obligation to use IFRS as set out in the IAS Regulation applies to the consolidated financial statements of EU companies whose securities are traded on a regulated market in the EU. There are about 7,000 such firms.
In your view, is the current scope of the IAS Regulation right (i.e. consolidated accounts of EU companies listed on regulated markets)?*

- (•) Yes
- ( ) No
- ( ) No opinion

8.2. Comments.

We generally support the current scope of the IAS Regulation. There is however one anomalous aspect that we suggest should be re-evaluated. This relates to the fact that the mandatory scope of the regulation does not extend to the financial statements of listed entities that do not have subsidiaries. We acknowledge that extending the scope to individual or separate financial statements raises issues concerning tax and distributions, but believe these issues are surmountable.

We are aware of some calls to exempt smaller EU-listed companies from "full IFRS" - for example by developing a reduced disclosure regime for such companies. We do not support such an exemption. We believe that IFRS is sufficiently scalable that smaller listed entities

9. National governments can decide to extend the application of IFRS to:
- individual annual financial statements of companies listed on regulated markets
- consolidated financial statements of companies that are not listed on regulated markets
- individual annual financial statements of companies that are not listed on regulated markets.

In your view, are the options open to national governments:*

- (•) Appropriate
- ( ) Too wide
- ( ) Too narrow
- ( ) No opinion

Cost-benefit analysis of the IAS Regulation

10. Do you have pre-IFRS experience/ experience of the transition process to IFRS?*

- (•) Yes
- ( ) No

11. In your experience, has applying IFRS in the EU made companies' financial statements more transparent (e.g. in terms of quantity, quality and the usefulness of accounts and disclosures) than they were before mandatory adoption?*

- (selected) Significantly more transparent
- Slightly more transparent
- No change
- Slightly less transparent
- Significantly less transparent
- No opinion

11.1. Please elaborate.

Prior to 2005 most EU listed companies reported in accordance with national GAAP. Each national GAAP had its own strengths and weaknesses. For example, many commentators considered that UK GAAP had a very good standard on reporting the substance of transactions, but lacked adequate guidance on key areas such as financial instruments and share-based payment. When considered in aggregate, we believe that IFRS is superior to the various national GAAPs applied previously, as well as offering the critical advantage of cross-border comparability and understandability.

12. In your experience, has applying IFRS in the EU altered the comparability of companies' financial statements, compared with the situation before mandatory adoption?

	Significantly increased	Slightly increased	No change	Slightly reduced	Significantly reduced	No opinion
In your country						(selected)
EU-wide	(selected)					
Compared with non-EU countries	(selected)					

12.1. Please elaborate.

This response is not country-specific but we believe that IFRS has generally improved comparability within EU member states because it is much more comprehensive than most national GAAPs. For example, many pre-IFRS national GAAPs included few (if any) requirements on important areas of accounting such as derivatives and share-based payments.

We believe it is absolutely clear that IFRS has significantly increased the comparability of companies' financial statements EU-wide and internationally (while acknowledging that consistent application is an on-going challenge).

13. Have financial statements become easier to understand since the introduction of IFRS, compared with the situation before mandatory adoption?*

- (selected) Yes, in general
- Yes, but only in certain areas
- No, in general
- No, except in certain areas
- No opinion

13.2. Please elaborate.

We believe that IFRS financial statements are more understandable because they are more comprehensive (which reduces the potential for misunderstandings and omissions). IFRS also provides a common language and therefore enhances understand-ability to cross-border users. We do however acknowledge that IFRS financial statements are generally lengthier, more detailed and more technical. Accordingly they can seem complex and harder to understand to less expert readers who are unfamiliar with the standards.

14. Has the application of IFRS in the EU helped create a level playing field for European companies using IFRS, compared with the situation before mandatory adoption? *

- (•) Yes
- ( ) Yes, to some extent
- ( ) No
- ( ) No opinion

14.1. Please elaborate.

We suggest the phrase "level playing field" should be treated with some caution as it tends to be invoked somewhat selectively by parties who believe they face a disadvantage in a particular area in particular circumstances. With this note of caution, we believe it self-evident that consistent accounting standards among EU listed companies contribute to a level playing field, while acknowledging that other factors (eg differences in enforcement regimes and local interpretations) also have a part to play.

15. Based on your experience, to what extent has the application of IFRS in the EU affected access to capital (listed debt or equity) for issuers in domestic and non-domestic markets that are IFRS reporters?

	Made it a lot easier	Made it easier	No effect	Made it more difficult	Made it a lot more difficult	No opinion
Domestic capital	( )	( )	(•)	( )	( )	( )
EU capital other than domestic	( )	(•)	( )	( )	( )	( )
Non-EU capital	( )	(•)	( )	( )	( )	( )

15.1. Please provide data / examples if available.

We do not have robust data about EU companies' ease of access to capital, which is of course affected by many factors other than the applicable financial reporting requirements. However, when undertaking the complex and costly process of raising capital in overseas capital markets it is clearly advantageous to be able to use the same financial statements as are prepared for domestic purposes. The ability of EU entities to access US markets without preparing US GAAP financial statements (or a US GAAP reconciliation) is an important case in point.

16. In your experience, has the application of IFRS in the EU had a direct effect on the overall cost of capital for your company or the companies you are concerned with? (Please distinguish - as far as possible - the impact of IFRS from other influences, e.g. other regulatory changes in the EU and the international credit crunch and crisis.)*

- ○ Cost has fallen significantly
- ◉ Cost has fallen slightly
- ○ No effect
- ○ Cost has risen slightly
- ○ Cost has risen significantly
- ○ No opinion

16.1. Please provide data/ examples if available.

The state of research into the affect of IFRS on EU companies' cost of capital is still relatively immature. However, when considered in the round, the various research studies of which we are aware do suggest a lowering of cost of capital and improved market liquidity. These effects appear to be concentrated among firms located in EU countries with stronger legal enforcement mechanisms.

17. In your view, has the application of IFRS in the EU improved protection for investors (compared with the situation before mandatory adoption), through better information and stewardship by management?*

- ○ Yes, to a great extent
- ○ Yes, to a small extent
- ○ It had no impact
- ○ No, protection for investors has worsened
- ◉ No opinion

18. In your view, has the application of IFRS in the EU helped maintain confidence in financial markets, compared with the likely situation if it had not been introduced?

(N.B.: the "enforcement" section of this questionnaire deals with how IFRS are/ were applied.)*

- ( ) Yes, to a great extent
- (x) Yes, to a small extent
- ( ) It had no impact
- ( ) No, confidence in financial markets has decreased
- ( ) No opinion

18.1. Please provide data/ examples if available.

It is difficult to measure confidence, and it is a matter of speculation as to whether (and by how much) levels of confidence would have differed if IFRS had not been introduced. That said, we believe that IFRS has various advantages that are likely to contribute positively to confidence in financial reporting, which we consider to be a precursor to confidence in financial markets. These advantages include that IFRS: (i) are developed independently; (ii) are subject to extensive due process; (iii) are generally perceived to be high quality; and (iv) promote a high level of transparency through extensive disclosure.

19. Do you see other benefits from applying IFRS as required under the IAS Regulation?*

- (x) Yes
- ( ) No
- ( ) No opinion

19.1. Yes - please specify (you may select more than 1 option).*

- [x] Improved ability to trade/expand internationally
- [x] Improved group reporting in terms of process
- [x] Robust accounting framework for preparing financial statements Administrative savings
- [ ] Group audit savings
- [ ] Other

19.2. If yes, please give details, with examples/ data if possible.

The IAS Regulation has to some extent facilitated a streamlining of group reporting processes although the continued proliferation of national GAAP for statutory accounts works against this. The Regulation is also directionally conducive to a free market in accounting services across the EU and enhances the mobility of qualified accountants.

20. In your experience, on balance and at global level, how do the benefits of applying IFRS compare to any additional costs incurred - compared with the situation before mandatory adoption, bearing in mind the increasing complexity of businesses that accounting needs to portray?*

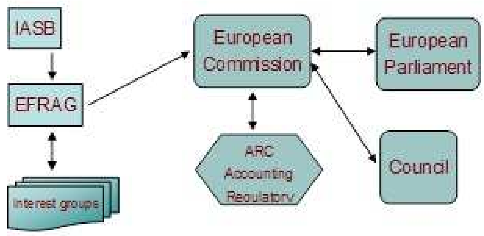
- (x) Benefits significantly exceed the costs
- ( ) Benefits slightly exceed the costs
- ( ) Benefits and costs are broadly equal
- ( ) Costs slightly exceed the benefits
- ( ) Costs significantly exceed the benefits
- ( ) No opinion

20.1. Please provide any additional comments you think might be helpful.

Overall, we believe IFRS has increased average costs in some areas - due for example to more need to obtain valuations and more disclosure than most predecessor national GAAPs. We believe these costs are outweighed by the advantages referred to above. That said, it is notoriously difficult to quantify the benefits of alternative accounting frameworks and/or standards, and also quite difficult to quantify costs of IFRS compared to various alternatives.

Endorsement mechanism & criteria

The EU's IFRS endorsement process



In the EU, IFRS are adopted on a standard-by-standard basis. The procedure is as follows:

- The International Accounting Standards Board (IASB) issues a standard.
- The European Financial Reporting Advisory Group (EFRAG) holds consultations, advises on endorsement and examines the potential impact.
- The Commission drafts an endorsement regulation.
- The Accounting Regulatory Committee (ARC) votes and gives an opinion.
- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

This process typically takes 8 months.

Endorsement criteria

Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

In his October 2013 report, Mr Maystadt discussed the possibility of clarifying the "public good" criterion or adding 2 other criteria as components of the public good, namely that:

- any accounting standards adopted should not jeopardise financial stability
- they must not hinder the EU's economic development.

He also suggested that more thorough analysis of compliance with the criteria of prudence and respect for the public good was needed.

21. In the EU, IFRS are adopted on a standard-by-standard basis. The process, which typically takes 8 months, is as follows:

- The International Accounting Standards Board (IASB) issues a standard.
- The European Financial Reporting Advisory Group (EFRAG) holds consultations, advises on endorsement and examines the potential impact.
- The Commission drafts an endorsement regulation.
- The Accounting Regulatory Committee (ARC) votes and gives an opinion.
- The European Parliament and Council examine the standard.
- The Commission adopts the standard and publishes it in the Official Journal.

Do you have any comments on the way the endorsement process has been or is being conducted (e.g. in terms of the interaction of players, consistency, length, link with effective dates of standards, outcome, etc.)?*

We support independent standard-setting but we also recognise the need for a meaningful endorsement process. We believe the existing endorsement process has generally worked well and see no compelling reason to change it. In particular we believe that the adoption process should continue to operate on a standard-by-standard basis.

Any changes that extend the duration of the process would be unwelcome. Endorsement criteria which are vague or highly subjective should also be avoided.

22. Under Article 3.2 of the IAS Regulation, any IFRS to be adopted in the EU must:

- be consistent with the "true and fair" view set out in the EU's Accounting Directive
- be favourable to the public good in Europe
- meet basic criteria on the quality of information required for financial statements to serve users (i.e. statements must be understandable, relevant, reliable and comparable, they must provide the financial information needed to make economic decisions and assess stewardship by management).

Are the endorsement criteria appropriate (sufficient, relevant and robust)?*

- (●) Yes
- ( ) Yes, to some extent
- ( ) No
- ( ) No opinion

23. There is a necessary trade-off between the aim of promoting a set of globally accepted accounting standards and the need to ensure these standards respond to EU needs. This is why the IAS regulation limits the Commission's freedom to modify the content of the standards adopted by the IASB.

Does the IAS Regulation reflect this trade-off appropriately, in your view? *

- (•) Yes
- ( ) No
- ( ) No opinion

24. Have you experienced any significant problems due to differences between the IFRS as adopted by the EU and the IFRS as published by the IASB ("carve-out" for IAS 39 concerning macro-hedging allowing banks to reflect their risk-management practices in their financial statements)? *

- ( ) Yes
- (•) No
- ( ) No opinion

Quality of IFRS financial statements

25. What is your overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by EU companies using IFRS?*

- ( ) Very good
- (•) Good
- ( ) Moderate
- ( ) Low
- ( ) Very low
- ( ) No opinion

25.1. Please provide any additional comments you think might be helpful.

In our experience the overall quality of financial statements prepared by EU companies using IFRS is generally high. By this we mean we mean that levels of compliance, while not perfect and capable of improvement, are generally high.

It should however be acknowledged that views differ on how 'quality' is measured. A 2010 research paper by Chen et al concluded that majority of accounting quality indicators improved after IFRS adoption in the European Union. By contrast a paper by Paulo et al (focusing on the quality of accruals) showed that the quality of accounting information has not significantly improved.

26. Given that firms have complex business models and transactions, how would you rate financial statements prepared in accordance with IFRS in terms of complexity and understandability?*

- ( ) Very complex & difficult to understand
- ( ) Fairly complex & difficult to understand
- (•) Reasonable
- ( ) Not complex or difficult
- ( ) No opinion

26.1. Please provide any further comments you think might be helpful, specifying any particular areas of accounting concerned, if appropriate.

Financial statements, and financial information in general, can of course be understood at different levels. IFRS financial statements provide a relatively sophisticated portrayal of an entity's financial performance and position and are probably lengthier than financial statements prepared under many predecessor local GAAPs. IFRS financial statements can therefore appear quite complex to less expert users but provide a high level of transparency to users with the skills and experience to know how to analyse them.

27. How would you rate financial statements prepared using IFRS in terms of complexity and understandability - compared with other sets of standards you use?

	IFRS information is easier to understand than...	IFRS information is neither easier nor more difficult to understand than ...	IFRS information is more difficult to understand than ...	No opinion
Information under your local GAAPs	○	○	○	◉
Information under any other GAAPs	○	○	○	◉

27.1. What are your local GAAPs?

We have not expressed an opinion because this response is prepared from an international perspective. Our general comments on complexity and understandability are set out in our response to Q26.

27.2. Please identify other GAAPs you are using as a basis for comparison.

N/A.

28. How do IFRS compare with other GAAPs in terms of providing a true and fair view of a company's (group's) performance and financial position?

	IFRS are better than...	IFRS are equivalent to...	IFRS are worse than...	No opinion
Your local GAAPs (as identified under question 27)	○	○	○	◉
Any other GAAPs (as identified under question 27)	○	○	○	◉

29. How often is it necessary to depart from IFRS under “extremely rare circumstances” (as allowed by IFRS), to reflect the reality of a company’s financial performance and position in a fairer way?*

- ○ Often
- ○ Sometimes
- ◉ Hardly ever
- ○ Never
- ○ No opinion

29.1. Please provide additional comments and examples of departures from IFRS that you have seen.

One example of an appropriate use of the override (in our view) relates to the recognition of pension obligations by National Express plc in its 2005 financial statements for certain UK railway franchise operations. This company faced a circumstance in which pension obligations would cease on expiry of the franchises, and invoked the override to limit the obligation to an amount that reflects the duration of the franchise.

As another example, HSBC plc used an override in its 2009 interim financial statements in relation to a rights offer denominated in a foreign currency. The rules at that time under the rule s that would (at the time) have been presented as a liability in accordance with the rules at the time. These rules (in IAS 32) were changed soon afterwards in line with HSBC's treatment.

Both examples relate to very specific and unusual circumstances that were probably not contemplated in the relevant standards.

30. How would you rate the extent to which IFRS allows you to reflect your company's business model in your financial statements?*

- ○ This is not an issue
- ◉ IFRS are flexible enough
- ○ IFRS should be more flexible, so different business models can be reflected
- ○ No opinion

30.1. Please explain.*

Business model concepts are already widely used in existing IFRSs. In our view the main relevance of an entity's business model is that it drives the transactions the entity enters into – which in turn determine the content of the financial statements. We believe this is, and should continue to be, the main way in which the financial statements reflect an entity's business model.

We think some caution is needed in considering whether the business model should have a different or broader role in accounting standards. Many of the calls for greater use of business model-type concepts may in fact be demands for increased flexibility (less prescription) in certain standards and/or expressions of disagreement with certain requirements.

Enforcement

Since 2011, the European Securities and Markets Authority (ESMA) has been coordinating national enforcers' operational activities concerning compliance with IFRS in the EU. ESMA has taken over where the Committee of European Securities Regulators (CESR) left off.

Enforcement activities regarding companies listed on regulated markets are defined in the Transparency Directive (2004/109/EC , as subsequently amended).

31. Are the IFRS adequately enforced in your country?*

- ( ) Yes
- ( ) Yes, to some extent
- ( ) No
- (x) Not applicable
- ( ) No opinion

32. Does ESMA coordinate enforcers at EU level satisfactorily? *

- ( ) Yes
- (x) Yes, to some extent
- ( ) No
- ( ) Not applicable
- ( ) No opinion

32.1. Please provide any additional comments you think might be helpful.

We welcome ESMA's efforts to enhance the coordination of enforcement activities. For the time being at least we believe that EU-level co-ordination but national execution of enforcement is the right model. However, we think that differences in the quality and effectiveness of enforcement among member states remain an impediment to achieving the full benefits of IFRS. With this in mind, we also supported most of ESMA's proposals in its 2013 Consultation Paper "ESMA Guidelines on enforcement of financial information".

The activities of the European Enforcer Coordination Sessions (EECS), and ESMA's publication of common priorities, are important in promoting consistency and quality.

33. Has enforcement of accounting standards in your country changed with the introduction of IFRS?*

- ○ Enforcement is now more difficult
- ○ Enforcement has not changed
- ○ Enforcement is now easier
- ○ Not applicable
- ◉ No opinion

34. In your experience, have national law requirements influenced the application of IFRS in the EU country or countries in which you are active? *

- ○ Yes, significant influence
- ◉ Yes, slight influence
- ○ No
- ○ No opinion
- ○ Not applicable

34.1. If you have identified differences in the way IFRS are applied in different EU countries, to what extent does this limit the transparency and comparability of company financial statements? *

- ○ Much less transparent & comparable
- ◉ Slightly less transparent & comparable
- ○ No impact on transparency or comparability
- ○ No opinion

34.1.1. Please detail.

It is widely perceived that there are limits and/or challenges to the comparability of IFRS financial statements in different EU countries - see for example ESMA's 2012 review of review of the disclosures in IFRS financial statements of listed financial institutions, and academic research (eg: www.cig.ase.ro/articles/10_2_2.pdf). However, while 'comparability' is a desirable attribute, it s essential to keep in mind that IFRS is a principle-based system that provides both implicit and explicit flexibility in may areas. We believe that local factors - including predecessor GAAP, local interpretations, enforcement regimes and even culture likely detract from consistent application but it is challenging to isolate the impact of these factors. Of these factors, we suggest that local interpretations are perhaps the most harmful but also the most avoidable. We observe the EBF have noted an increasing number of examples where local authorities are issuing prescriptive Guidelines on IFRS application.

35. If you are aware of any significant differences in enforcement between EU countries or with other jurisdictions, do they affect your practice in applying IFRS or analysing financial statements? *

- ○ Yes, significantly
- ◉ Yes, but the impact is limited
- ○ No
- ○ No opinion
- ○ Not applicable

35.1. Please provide specific details.

As an international organisation, we aim to promote high quality, consistent application of IFRS among our member firms and clients in the EU and around the world. We occasionally encounter situations in which identified inconsistencies are justified or explained by differences in local interpretations or enforcement decisions (which may be formal/public or informal/not public). We need to make some allowances for this.

36. The recitals of the IAS Regulation stress that a system of rigorous enforcement is key to investor confidence in financial markets. However, the Regulation contains no specific rules on penalties or enforcement activities, or their coordination by the EU.

Should the IAS Regulation be clarified as regards penalties and enforcement activities?*

- ○ Yes
- ◉ No
- ○ No opinion

37. Should more guidance be provided on how to apply the IFRS? *

- ○ Yes
- ◉ No
- ○ No opinion

Consistency of EU law

There are different types of reporting requirements in the EU (e.g. prudential requirements, company law, tax, etc.)

38. How would you assess the combined effects of, and interaction between, different reporting requirements, including prudential ones? *

Clearly EU listed entities face significant regulatory requirements when considered together, but we don't believe these are disproportionate or excessive compared to other major developed economies. It is also important to note that IFRS, tax laws, prudential requirements, and other transparency/disclosure legislation have different (although in some cases related) objectives.

We are not aware of any particularly problematic tensions among these requirements.

We comment further on prudential requirements below.

39. Do you see any tensions in interaction between the IAS Regulation and EU law, in particular:

	No	Yes	To some extent	No opinion
Prudential regulations (banks, insurance companies)	○	○	◉	○
Company law	◉	○	○	○
Other	◉	○	○	○

39.1. Other - please specify.*

N/A

39.2. If you answered "yes" or "to some extent", please give details and state what the main effects of these tensions are.*

For most entities company law and prudential regulations have little or no impact on the application of IFRS in practice. For financial institutions, however, the interaction can be important. For example, changes in accounting requirements can impact regulatory capital (eg Basel III removes the filter for accumulated gains/losses on AFS securities). Regulatory treatments may also influence choices regarding accounting designations and other policies. Also, academic research indicates that the EU banks' loan loss provisions under IAS 39 have been influenced by national prudential supervisory regimes.

User-friendliness of legislation

All standards are translated into the official EU languages before they are adopted. The Commission also regularly draws up a consolidated version of the current standards enacted by the EU (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:02008R1126-20130331:EN:NOT). The consolidated version does not include any standards that are not yet in force, but can be applied before the date of entry into force.

40. Are you satisfied with the **consolidated version** of *IFRS standards adopted by the EU*, which is not legally binding, or would you like to see improvements?

- ◉ Satisfied
- ○ Need for improvements
- ○ I wasn't aware of it
- ○ I don't use it
- ○ No opinion

41. Are you satisfied with the quality of **translation** of IFRS into your language *provided by the EU*?*

- ( ) Yes
- ( ) Yes, to some extent
- ( ) No
- ( ) No opinion
- (•) Not applicable

General

42. Do you have any other comments on or suggestions about the IAS Regulation?

Thank you for your valuable contribution.

Submit | Save as Draft

The EUSurvey project has been funded by the ISA programme
for the promotion of European eGovernment