



Comments of the Institute of Chartered Accountants of India on

Request For Views: 2015 Agenda Consultation

Question 1 –

The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;*
- (b) its Standards-level programme;*
- (c) the Conceptual Framework;*
- (d) the Disclosure Initiative; and*
- (e) maintenance and implementation projects.*

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

Response:

In our view, the existing allocation of resources by IASB to the specified projects appears to be adequate. However, going forward when the current Conceptual Framework project is completed, some resources may need re-allocation between research programme and the Standards-level programme since the resources for the maintenance and implementation projects would be based on the need for amending/improvements in the existing IFRS.

Question 2 –

The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

- (a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.*
- (b) remove from its research programme the projects on foreign currency translation (see paragraphs 39–41) and high inflation (see paragraphs 42–43)? Why or why not?*
- (c) remove any other projects from its research programme?*



2 (a) Response:

In our view, a project should be undertaken to consider removing existing IAS/IFRS. For instance, IAS 26, *Accounting for Retirement Benefit Plans*, is hardly used in any country. Its existence as an IFRS creates issues about its relevance and applicability. For example, in India, there are some companies which are stated to be providing pension fund benefits. However, a question was raised as to whether this Standard would be applicable to such companies. On examination of the types of pension fund schemes operated by these companies, it was found that the schemes are more of the nature of mutual funds schemes giving unit holders the benefit of certain returns rather than pension funds as usually understood. Accordingly, it was decided not to apply this Standard. Accordingly, the IASB should determine whether it should continue with this Standard even though it is not used in various jurisdictions.

In our view, projects on Income Taxes, Post-employment Benefits and Dynamic Risk Management may be given lower priority keeping in view the fact that in our jurisdiction the existing Standards (IAS 12 and IAS 19) do not have many issues in implementation and Dynamic Risk Management is not considered of sufficient importance to be applied by relevant entities.

2 (b) Response:

We agree with the removal of Foreign Currency Translation and High Inflation from the research programme as these are not relevant for our jurisdiction.

2 (c) Response:

We do not recommend removal of any other project from its research programme.

Question 3—

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.



Response:

In our view, the following projects should be given **high** priority in terms of their urgency as well as importance:

Goodwill and Impairment (Impairment only for goodwill is an issue in our jurisdiction)

Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes) (An IFRS for carbon credits would be of immense use in our jurisdiction)

Business Combinations under Common Control (Large number of BCUCC in India)

Financial Instruments with Characteristics of Equity (We have a carve out in respect of accounting for Foreign Currency Convertible Bonds which we seek to remove if issue is satisfactorily settled)

In our view, the following projects should be given **medium** priority in terms of their urgency as well as importance:

Definition of a Business

Discount Rates

Equity Method

Primary Financial Statements (formerly Performance Reporting)

Provisions, Contingent Liabilities and Contingent Assets

Share-based Payment

Disclosure Initiative-Principles of Disclosure

In our view, the following projects should be given **low** priority in terms of their urgency as well as importance:

Income Taxes

Post-employment Benefits (including Pensions)

Dynamic Risk Management

Extractive Activities/Intangible Assets/Research and Development (R&D)

The factor which led to the above ranking is their relevance in our jurisdiction.



Question 4 –

Do you have any comments on the IASB's current work plan for major projects?

Response:

Recent change in the effective date of IFRS 15 by one year and the issues that are emerging because of the non-issuance of Insurance Standard in time resulting in IFRS 4 and IFRS 9 conundrum requires that the work plan of the IASB needs to be planned more meticulously. The aforesaid issues have resulted in difficulties in convergence with IFRS in our jurisdiction. In India, it was originally decided to implement IFRS 15 from 1st April, 2016. However, subsequent change in the effective date by IASB resulted in similar demands being made by various stakeholders in India to postpone the implementation of IFRS 15 in India and revert to IAS 11 and IAS 18. This resulted into considerable wastage of resources and unnecessary hardship to all concerned.

The non-issuance of the Insurance Standard in time has raised issues with regard to finalization of roadmap of convergence with IFRS in India since the insurance entities feel that they should implement IFRS only when the final IFRS on insurance is issued. Since many insurance entities are subsidiaries of either banks or manufacturing/trading entities, issues are being raised with regard to the preparation of IFRS converged consolidated financial statements in case entities other than insurance entities are required to move to converge with IFRS before the insurance entities. While we understand the delays in completion of the Insurance Standard, it is felt that such projects should be allocated greater resources for their timely completion to avoid such hardships.

Question 5 –

Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19–23 and 50–53)?

Response:

We feel that the IASB and the Interpretations Committee are providing right mix of implementation support to meet shareholders needs and the support is sufficient.



Question 6 –

Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

Response:

With regard to the pace, please see response to Question No. 4. We agree with the level of detail that is appropriate to principle-based standard-setting.

Question 7 –

Do you have any other comments on the IASB's work plan?

Response:

We have no other comments on the IASB's work plan.

Question 8 –

Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?

Response:

We feel that five year period would be appropriate for Agenda Consultation keeping in view the past experience of completion of certain Standards such as Insurance which were under preparation during last Agenda Consultation and are still continuing on the agenda of the IASB. Also, going forward with new research projects being included in the agenda of the IASB, it is expected that they will take a longer time to complete (e.g. Pollutant Pricing Mechanism).