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Submitted online at <https://www.ifrs.org/projects/open-for-comment/>

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Dear Mr Barckow,

### **EFAA RESPONSE REQUEST FOR INFORMATION *THIRD AGENDA CONSULTATION***

EFAA appreciates the opportunity to provide our comments on your [Request for Information \*Third Agenda Consultation\*](#).

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to SMEs both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g., audit, accounting, bookkeeping, tax, and business advice) to SMEs. EFAA represents 13 national accounting, auditing, and tax advisor organisations with more than 350,000 individual members.

Small- and medium-sized entities (SMEs) collectively account for a significant, if not majority, share of economic, environmental, and social impacts by private sector business. Consequently SMEs, and the small- and medium-sized accountancy practices (SMPs) that provide professional services to them, stand to play a vital role in making the EU economy stronger and sustainable. This role extends to helping SMEs prepare financial and sustainability reports. SMPs have traditionally prepared the financial information and reports, both for management and external reporting purposes, of clients that lack the inhouse expertise or capacity to do so themselves. Going forward SMPs can expect increasing numbers of clients to ask them to also prepare sustainability information and reports.

Since EFAA is a member of the European Financial Reporting Advisory Group (EFRAG) and based in the European Union our response has been heavily informed and influenced by EFRAG’s [draft response](#).

#### **Question 1—Strategic direction and balance of the Board’s activities**

The Board’s main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards;
- maintaining IFRS Standards and supporting their consistent application;
- developing and maintaining the IFRS for SMEs Standard;

- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;
- improving the understandability and accessibility of the Standards; and
- engaging with stakeholders.

Paragraphs 14–18 and Table 1 provide an overview of the Board’s main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.

(a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.

(b) Should the Board undertake any other activities within the current scope of its work?

### **EFAA RESPONSE**

*EFAA considers that the overall balance of the main activities of the IASB, as indicated in the RFI, is appropriate and should not be substantially modified over the 2022-2026 period. The activities in relation to ‘improving the understandability and accessibility of the Standards’ could be increased though possibly as an integral and systematic part of ‘maintaining IFRS Standards and supporting their consistent application’. SMEs prefer a stable platform as far as possible one might decrease ‘developing new IFRS Standards and major amendments to IFRS Standards.’*

*IFRS for SMEs is not widely used in the European Union. Efforts to increase its use might be explored. Similarly, in the light of [EFAA research](#) evidencing its existence we encourage the IASB to be cognizant of the trickle-down effect whereby national standard setters ‘borrow’ accounting treatment from full IFRS for use in national standards that are primarily directed at non-publicly accountable entities or SMEs.*

*EFAA is keen to see timely and robust Post-implementation Reviews (‘PIR’) of all new standards and these might extend to assessing any trickle down. EFAA is also keen to see greater effort and innovation in the way the IASB garners input from SME and SMP constituents as well as users. Traditionally these groups do not respond to conventional consultations for various reasons including lack of time and technical capacity. Short surveys and the use of standard response templates, as used as part of the IFRS for SMEs Comprehensive Review, are welcome.*

*EFAA, in concurrence with EFRAG, suggests that the connectivity between financial reporting and sustainability reporting should be identified as an additional and separate area of activity of the IASB. Sustainability reporting and financial reporting are currently not formally connected. Possible developments in financial reporting standards may facilitate the creation of connectivity between financial and sustainability information.*

## Question 2—Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

- (a) Do you think the Board has identified the right criteria to use? Why or why not?
- (b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

### **EFAA RESPONSE**

*EFAA considers the criteria are appropriate when deciding whether to add a potential project to its work plan. That said, as we speak from an SME perspective, we are keen for other financial stakeholders, in addition to investors, to be considered. For example, IFRS for SMEs states that external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.*

## Question 3—Financial reporting issues that could be added to the Board’s work plan

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board’s work plan.

- (a) What priority would you give each of the potential projects described in Appendix B — high, medium or low— considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.
- (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
  - (i) the nature of the issue; and
  - (ii) why you think the issue is important.

### **EFAA RESPONSE**

*EFAA broadly concurs with the priorities identified by EFRAG in its draft response. However, EFAA believes five of these projects deserve the highest priority. These five projects, with their scope modified broadly in line with EFRAG’s draft response, are set out below (together with size and rationale for our prioritizing). In all projects we urge the IASB to ensure understandability and accessibility of the Standards.*

1) *Connecting financial and sustainability reporting, starting from climate-related financial implications (Large)*

As EFRAG notes developments in the sustainability reporting area are occurring at both the European and global level including the proposed Corporate Sustainability Reporting Directive (CSRD). We support EFRAG's view that the issue of connecting financial reporting and sustainability reporting will require greater attention in providing a full picture of companies' reporting. Synergies between financial and sustainability reporting could be explored and may pave the way towards a more holistic and integrated reporting system. We therefore support EFRAG's call for a more ambitious project on climate-related financial implications than the proposals in the RFI. This project would address more holistically the connectivity between IFRS Standards and sustainability reporting. The project could be combined with the IASB's envisaged project on Pollutant Pricing Mechanisms.

2) *Crypto-assets and related transactions (Medium)*

We suggest this project considers accounting for crypto-assets (and liabilities), not just cryptocurrencies, and consider accounting alternatives explored in EFRAG's 2020 Discussion Paper, Accounting for Crypto-assets (Liabilities) Holder and issuer perspectives.

3) *Intangible assets (Large)*

EFRAG is already conducting a research project on Better Information on Intangibles. EFAA is concerned at the lack of recognition and measurement of some intangible assets. [EFAA research](#) sheds some light on the deficiencies in the reporting on intangibles by SMEs.

4) *Going concern (Medium)*

EFAA supports the RFI's proposed project but urges this also extend to a review of the duration of the look forward period as we believe this to be too short. The period might be extended to 12 months from the date the financial statements are published.

5) *Supply chain financing (including reverse factoring) (Small)*

We share EFRAG's concern that IFRS Standards do not provide specific guidance to address reverse factoring and other forms of supply chain financing. Applying these standards requires significant judgement, particularly, as reverse factoring arrangements can differ significantly. We therefore support further guidance and a project scope that goes beyond the one proposed by the RFI that would be limited to cash flow presentation.

#### **Question 4—Other comments**

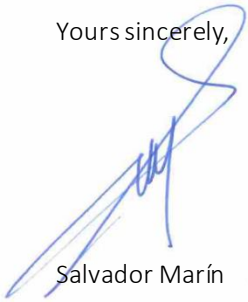
Do you have any other comments on the Board's activities and work plan? Appendix A provides a summary of the Board's current work plan.

**EFAA RESPONSE**

*EFAA has no other comments on the IASB's activities and work plan.*

We greatly appreciate this opportunity to share our views.

Yours sincerely,



Salvador Marín  
EFAA President



Paul Thompson  
EFAA Director