



**Building A Bridge To A Brighter Africa**

28 December 2015

IFRS Foundation  
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Email: [CommentLetters@ifrs.org](mailto:CommentLetters@ifrs.org)

Dear Sir/Madam

**PAFA SUBMISSION ON REQUEST FOR VIEWS: 2015 AGENDA CONSULTATION**

In response to your request for comments on Request for Views: *2015 Agenda Consultation*, attached is the comment letter prepared by the **PAN AFRICAN FEDERATION OF ACCOUNTANTS (PAFA)**. PAFA is the regional body that is aimed to represent African professional accountants with one and louder voice, particularly in relating with International Standards Setters and other professional accountants bodies. This comment letter results from a consolidation of all comments received from the PAFA members listed below. We would like to acknowledge the following PAFA members for submitting their comments:

**The South African Institute of Chartered Accountants (SAICA); and  
The Zambia Institute of Chartered Accountants (ZICA).**

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

**Ms Thuli Bamuza CA (SA)  
Director – Strategy & Operation (DSO)**

## GENERAL COMMENTS

We welcome the International Accounting Standards Board's (IASB) second agenda consultation process.

## SPECIFIC COMMENTS

### The balance of the IASB's projects

#### 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?*

Both **SAICA** and **ZICA** agree with the factors set out in paragraph 55 of the Request for Views document applied by the IASB in prioritising individual projects on its work plan and allocating resources. In light of these factors **SAICA** believes that these areas should be prioritised as follows:

- Standards-level programme and the Conceptual Framework. The major projects that are currently in progress should be given high priority to ensure that they are completed within the set deadlines. These projects include insurance contracts, leases and the Conceptual Framework.
- Maintenance and implementation projects. We acknowledge that the IASB has a number of activities to support constituencies in the application and implementation of IFRSs (as noted in paragraph 52 of the Request for Views document), however, given the magnitude of diversity in the application of the IFRSs, we are of the view that a lot more effort should be placed in the maintenance and implementation projects area once the major IFRSs, as noted above, have been completed. As the custodian of IFRSs, we recommend that the IASB should be more pro-active in identifying diversity in the application and this could be achieved by undertaking more outreach activities.
- The Disclosure Initiative. The Disclosure initiative is also an important project which the IASB should also be allocating a fair amount of resources to ensure that it is completed timeously.
- Research programme. In deciding which projects to include on the research programme, we believe that that decision should be triggered by the outcomes from its maintenance and implementation projects.

In addition to the above factors cited by SAICA, ZICA emphasised that the IASB should consider the following factors:

- How the current strategy for allocating resources has worked and whether there is need for improvement;
- Level of priority of proposed improvements ranked against resource availability;
- The usefulness and relevance of proposed improvements to users of financial information;
- Practicality of proposed improvements; and
- The number of users that the proposed amendments will affect.

## Research projects

### 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.*

Both **SAICA** and **ZICA** have no additional projects to add to the current research programme. However, **SAICA** expressed the view that the Extractive Activities/Intangible Assets/Research and Development (R&D) is currently categorised as 'inactive' hence it strongly suggests that the IASB should take this project onto its agenda. IFRS 6 – *Exploration for and Evaluation of Mineral Resources* currently does not provide specific accounting principles and therefore inconsistent accounting practises have developed which has undermined comparability in the extractive industries sector. Furthermore, as more of the less industrialised countries adopt IFRS, there is likely to be an even more increasing need for guidance for the extractive industries to ensure comparability amongst jurisdictions. Linked to this project is the need to review the relevance of the exclusions in IFRSs relating to the accounting treatment of extractive activities.

- (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?*

Both **SAICA** and **ZICA** agree with the proposal to remove from the research programme the projects on foreign currency translation and high inflation.

- (c) *remove any other projects from its research programme?*

None

**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.

Project	Importance	Urgency	Additional column (ranking)	Reasons
Definition of a Business	High	High	3	We believe that the IASB should clarify the existing definition of a business or eliminate the differences between the accounting treatments for a business combination and that of an asset acquisition.
Discount Rates	Medium	Medium	8	There have been concerns regarding the use of different discount rates in IFRSs. We believe that a project should be undertaken to address any inconsistencies that arise from the application of the different discount rates.
Goodwill and Impairment	High	High	5	We believe that a project should be undertaken to address : <ul style="list-style-type: none"> <li>• whether changes should be made to the existing impairment test for goodwill and other non-current, non-financial assets;</li> <li>• whether goodwill should be amortised;</li> <li>• the extent to which intangible assets should be separated from goodwill.</li> </ul>
Income Taxes	High	High	6	We would rate the accounting relating to income taxes low as it is often relatively easier to apply. However, the rating of high relates to the accounting for deferred tax

				as the requirements relating to deferred are complex and should be simplified.
Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)	Low	Low	13	We do not consider it to be a major issue in our jurisdiction.
Postemployment Benefits (including Pensions)	Low	Low	12	In our jurisdiction, defined benefit schemes have been phased out and there are currently a few that are in existence and significant application issues that arise from applying IAS 19 – <i>Employee Benefits</i> are a result of the accounting for defined benefit plans. The defined benefit plans are being replaced with defined contribution plans
Primary Financial Statements (formerly Performance Reporting)	Low	Low	13	We believe that most of research on this project would be done on the Disclosure Initiative project.
Provisions, Contingent Liabilities and Contingent Assets	High	High	1	The publication of the Conceptual Framework (which we believe should be expedited) will impact IAS 37 – <i>Provisions, Contingent Liabilities and Contingent Assets</i> . For this reason we believe this project should be prioritised.
Share-based Payment	Low	Low		We would not suggest that the IASB to conduct a comprehensive review of IFRS 2 – <i>Share-based Payment</i> .
Business Combinations under Common Control	Medium	Medium	9	Business Combinations between entities under Common Control are fairly frequent transactions around the world. Currently there is no guidance on these types of transactions, which results in a wide range of adopted accounting policies and consequential inconsistency. We have observed that the scope of this research

				project is narrow and if undertaken by the IASB we would recommend that the scope be broadened.
Disclosure Initiative – Principles of Disclosure	High	High	2	To address the disclosure overload, we believe that the IASB should prioritise this project which aims to provide guidance on the application of materiality; clarify the distinction between a change in an accounting policy and a change in an accounting estimate and provide guidance regarding disclosures.
Dynamic Risk Management	Medium	Medium	11	We believe the IASB should critically evaluate the project, especially in so far as we felt that Portfolio Revaluation Approach went too far in terms of its suggestions and also raised major differences of application between that and IFRS 9's hedge accounting model.
Equity Method	Medium	Medium	10	The concept of the equity method is currently not clear. One view is that the equity method is a consolidation basis (one-line consolidation) and the other is a measurement basis for the investment. However, IAS 28 – <i>Investments in Associates and Joint Ventures</i> , does not clarify which of these two viewpoints is the underlying concept of the equity method. This is a fundamental issue as it directly affects the inconsistencies and complexities of the equity method.
Financial Instruments with Characteristics of Equity	High	High	7	Currently there are deficiencies in IAS 32 – <i>Financial Instruments: Presentation</i> , which we believe should be addressed through this project.

Extractive Activities/ Intangible Assets/ Research and Development (R&D)	High	High	4	IFRS 6 – <i>Exploration for and Evaluation of Mineral Resources</i> currently does not provide specific accounting principles and therefore inconsistent accounting practises have developed which has undermined comparability in the extractive industries sector. Furthermore, as more of the less industrialised countries adopt IFRS, there is likely to be an even more increasing need for guidance for the extractive industries to ensure comparability amongst jurisdictions. Related to this project, is the need to review the relevance of the exclusions in IFRSs relating to accounting treatment of extractive activities.
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## Major projects

### Question 4

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

As noted in both **SAICA** and **ZICA** responses to Question 1, they recommend that the IASB should prioritise the completion of major IFRSs that are currently in progress to ensure that the set deadlines to complete projects are adhered to. Furthermore, **ZICA** emphasised that more resources and efforts needs to be devoted on the standard-setting level to ensure the pending standards such as Leases, Conceptual Framework, Disclosure initiatives and Insurance Contracts are finalised.

## Maintenance and implementation projects

### 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)?*

As noted in **SAICA**'s responses to Question 1, it commends the IASB for the activities that the IASB has undertaken to support stakeholders in the implementation of IFRS. However, **SAICA** believes that a lot more could be done by the IASB and the IFRS Interpretations Committee to curb diversity in the application of IFRSs. Currently, implementation issues currently being addressed by the IASB and the IFRS Interpretations Committee are a result of submission made by stakeholders. **SAICA** does not believe that this is sufficient as it is of the view that, as custodians of IFRS, the IASB and the IFRS Interpretations Committee should be more proactive in identifying diversity in the application of IFRSs and this could be achieved by undertaking more outreach activities.

**ZICA** expressed the view that the IASB and the Interpretations Committee need to create a robust network via Professional Accounting Bodies through which its implementation support will be cascaded to stakeholders.

## Level of change

### 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?*

**SAICA** believes that the IASB's work plan as a whole delivers change at the right pace and at a level of detail that is appropriate to principle-based standard-setting. **SAICA** is also of the view that it should be agile to address any urgent issues that arise from time to time. However, **ZICA** is of the view that in some instances, the IASB's work plan as a whole does not deliver change at the right pace because the standard setting is tedious and take long to finalise key standards. Further, there is too much circumventing and repetitive detail in Exposure Drafts and Discussion Papers which makes the process superfluously long

## Any other comments

### Question 7

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

**ZICA** did not have any other comments on the IASB's work plan. However, **SAICA** cited that the role of the new Transition Resource Groups (TRGs), including the IASB and US Financial Accounting Standards Board Transition Resource Group on Revenue Recognition and the IFRS Transition Resource Group for Impairment of Financial Instruments, are unclear. **SAICA** believes the purpose of the feedback provided by these TRGs is important to ensure consistency of application of the new IFRSs. **SAICA** do however suggest that the TRGs should function as an advisory committee to the IASB and not represent a separate body as it remains the IASB's role to solicit, analyse and discuss stakeholder issues arising from implementation of the new requirements. The views expressed by the TRGs could also be interpreted as authoritative interpretations of the new requirements. As these views are not subject to proper due process, the removal of the function of the TRGs as a separate body should avoid the potential misuse of its views.

## Frequency of Consultations

### 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?*

Both **SAICA** and **ZICA** believe that the extension of the interval between Agenda Consultations from the current three years to five years would be appropriate provided that the maintenance and implementation programme is managed well. In line with their responses to Question 1, both **SAICA** and **ZICA** emphasised that, if the agenda consultation process is undertaken every five years, the IASB should be pro-active and agile to ensure that the work plan remains relevant.