

EFRAG survey on its Discussion Paper: Better Information on Intangibles - Which is the best way to go?

2. General information

First name:

Marco

Last name:

de Beer de Laer

Profession:

Accounting firm, professional organisation or body of accountants, auditor

Please describe your profession:

Role in your organisation:

Risk & Finance Advisor

Name of your organisation:

Assuralia

Industry of your organisation:

Insurance Industry

Country where you are located:

Belgium

Your email address:

Can we contact you in case of any follow-up questions?

Yes, I want to be contacted.

Please note that your comments (except for your email address and whether you can be contacted) will be posted on EFRAG's website unless you request confidentiality. Such requests will not normally be granted unless supported by good reasons, for example, that the information that you provide is commercially sensitive. Please see our website for details on this and how we use your personal data [here](#).

If you want to request confidentiality, please indicate this below and provide your reason. Otherwise, please skip the next question.

Do you want to request confidentiality?

Please provide your reason for requesting confidentiality:

3. Introduction

Issues with the current information

[Chapter 2](#) of the DP summarises issues put forward with current information on intangibles.

1. Which of the following issues with the current information on intangibles do you consider relevant and valid?

Information (also narrative information) on intangibles is difficult to compare and use as the boundaries between different intangibles are not (well) defined and are interpreted differently.

Please explain your view:

The biggest issue seems to be how to objectively reach comparability (between different organisations) on capitalisation and subsequent amortization of internally generated intangible assets.

Are you aware of additional issues with the current information on intangibles that are not listed?

No

Please explain what these issues are:

Which way to go?

Chapters 3, 4 and 5 of the DP present possible different approaches to provide better information on intangibles (namely recognition and measurement; disclosure of information on specific intangibles; information on future-oriented expenses and risk/opportunity factors) and, within each approach, different alternatives to provide better information on intangibles.

For further background information please see [ES4-ES8](#) of the DP.

2. Do you think there is room for improvement regarding information on intangibles in financial reporting?

Yes

Please explain:

Do you think the different approaches described could be combined in a manner that could meet (most of) the needs of users and for which the benefits would exceed the costs?

Yes

Please describe such a combination:

All organizations are investing in future products/services/activities and the most important and best comparable benefit could be realized when more (relevant) information on future-oriented expenses would be provided, of course without disclosing sensitive information from a competitive point of view. This avoids administratively heavy processes of trying to capitalize certain costs in order to present more intangible assets on the balance sheet as is the case today. Of course this is an insurance point of view, in highly innovative industries there might be a need to recognize more intangibles/provide more information on specific intangibles as is the case today.

If you do not think the different approaches described in the DP could be combined in a manner that would meet (most of) the needs of users - which of the described approaches do you think could be worth investigating further with the objective of getting better information on intangibles?

Please explain:

4. The three accounting approaches

Please indicate whether you want to provide input on all three accounting approaches or not:

I only want to provide comments on one or two of the three approaches.

If you do not want to comment on all of the three approaches, please select to which of the three approaches you want to give input: (please note that more than one choice is available)

Providing information on future-oriented expenses and risk/opportunity factors that may affect future performance in the notes to the financial statements or in the management report (see Chapter 5 of the DP).

5. Recognition and Measurement

Do you consider that IAS 38 *Intangible Assets* should be amended to permit the recognition of certain internally generated intangible assets (in addition to development costs)?

Please explain:

[Paragraph 3.26](#) of the DP explains that IAS 38 Intangible Assets currently includes an explicit prohibition to recognise some types of internally generated intangible assets such as internally developed brands, mastheads, publishing titles, customer lists and similar items, staff training and marketing.

Do you consider that the explicit prohibition to recognise some types of intangible assets that exists in IAS 38 should be removed?

Please explain:

[Paragraphs 3.10 to 3.71](#) of the DP explore four possible approaches regarding the recognition of internally generated intangibles.

Which of the following approaches would you prefer?

Please explain your preference for the selected approach:

Please describe such an approach:

Which specific approach would you prefer?

Please explain your preference for this conditional recognition approach:

Which criteria would you consider for recognition?

Please explain your preference for this/these recognition criteria:

Please explain such a combination:

Please describe these criteria:

Possible measurement bases

[Paragraphs 3.72 to 3.100](#) of the DP consider possible measurement bases for internally generated intangibles without suggesting a preferred approach.

Which of the following measurement approaches suggested in the DP would you support?

Please explain your selection:

6. Information relating to specific intangibles

To the extent that information relating to specific intangibles should be provided - do you agree that the information should be limited to the intangibles that are key to an entity's business model?

Please explain:

Preliminary feedback received from some users of financial reports indicates that an entity's fair value estimate of a specific intangible would generally not be particularly relevant information.

Do you agree that disclosing the fair value of an intangible is less helpful for users than disclosure of quantitative and qualitative information that could assist them in forming their own views on the value for an entity of the specific intangible?

Please explain:

Do you agree with the advantages and disadvantages of information relating to specific intangibles as identified in Chapter 4 of the DP compared to recognition and measurement (see Chapter 3 of the DP) and information on future-oriented expenses (see Chapter 5 of the DP)?

A table with the advantages and disadvantages identified in the DP can be accessed [here](#).

Please explain which aspects you disagree with:

Do you have identified additional advantages and disadvantages that should be included?

Which additional advantages/disadvantages should be added?

7. Information on future-oriented expenses

3. Do you consider that requiring such information could be useful?

Yes

Why is the information not useful?

Should the information mainly complement information on specific intangibles (see Chapter 4 of the DP) or should requirements on future-oriented expenses be introduced instead of requirements on information on specific intangibles?

Requirements on future-oriented expenses should be introduced instead of requirements on information on specific intangibles.

Please explain:

As information on specific intangibles in our view should be limited to intangibles that have been capitalized, relevant information on future-oriented expenses, of course without disclosing sensitive information from a competitive point of view, could be useful.

Should the information mainly:

Reflect the views of the entity's management by disclosing the recognised expenses the management considers relate to the benefits of future periods; or

Please explain:

The information should mainly reflect the views of the entity's management by disclosing the recognised expenses the management considers relate to the benefits of future periods, in order to avoid

(i) excessive disclosure and

(ii) potential misinterpretations and subjective conclusions by stakeholders outside the entity's 'span of control'.

Do you agree with the advantages and disadvantages of information on future-oriented expenses identified in Chapter 5 of the DP?

A table with the advantages and disadvantages identified in the DP can be accessed [here](#).

Yes, I agree with the identified advantages and disadvantages.

Please explain which aspects you disagree with:

Do you have identified additional advantages and disadvantages that should be included?

No

Which additional advantages/disadvantages do you have identified?

Information on risk/opportunity factors affecting intangibles

Chapter 5 (paragraphs 5.28 to 5.32) of the DP proposes that information included in the financial reports on factors affecting intangibles should be limited to disclosing risk/opportunity factors linked to the key intangibles (whether or not specified) according to the entity's business model. The disclosure should include a description of the risk/opportunity, relevant measures reflecting the risk/opportunity, if relevant (for example, KPI's used to measure it), and how the risk is managed and mitigated. It should include an assessment of the materiality of the risk/opportunity factors based on the probability of their occurrence and the expected magnitude of their impact.

4. Do you agree with this proposal?

No, I disagree.

Please explain what information on risk/opportunity factors affecting intangibles should be provided instead:

Next to already existing reportings on risk / opportunity factors affecting our business model and profitability (p.e. the Risk Chapter in our financial statements or Governance reporting about threats / opportunities linked to our workforce), it doesn't seem to make much sense to disclose risk/opportunity factors linked to the key intangibles in our financial statements.

8. Additional considerations

5. Do you consider that it would be useful to introduce a common terminology on intangibles?

Yes

Please explain:

Do you agree that preparers of financial statements should not be required to disclose information on intangibles that would be (very) commercially sensitive?

Yes

Please explain:

There are several issues on providing better information on intangibles listed in Chapter 6 of the DP:

Terminology (see paragraphs 6.5 to 6.6)

Sensitivity of the information provided (see paragraph 6.7)

Placement of information (see paragraphs 6.8 to 6.13)

Relevant and comparable information (see paragraph 6.14)

Potential effects on the ability to receive finance (see paragraph 6.15)

Removal of some of the current requirements (see paragraph 6.16)

Do you think there are additional issues that should be taken into account when considering how to provide better information on intangibles?

Yes, there are additional issues.

Which issues?

The EFRAG Discussion Paper doesn't mention anything about the 'interaction' between IFRS and SII reportings: as in SII pillar I all intangibles are eliminated (against equity), additional recognition of internally generated intangible assets under IAS 38 would probably lead to an increase of differences between IFRS and SII figures.

Placement of the information

Chapter 6 (paragraphs 6.8 to 6.13) of the DP presents an approach under which information discussed in Chapter 4 and Chapter 5 of the DP would be placed in the notes to the financial statements if the information is related to an item that meets the definition of an asset or to an item recognised in the statement of financial performance. In other cases, the information would be placed in the management report. However, it is noted that such an approach would result in information about intangibles to be spread between the notes to the financial statements and the management report.

6. Where do you think the different types of information that would follow from the approaches discussed in Chapter 4 and Chapter 5 of the DP should be placed? Do you think all of the information should be placed in the same section or in different sections of the financial report and why?

9. Thank You!

Thank you for taking our survey. Your response is very important to us.