

IASB Research Forum 2025

Overview of Cost and Benefit Assessment

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OVERVIEW

- AREAS OF INTEREST
- EU ENDORSEMENT PROCESS
- STRATEGY
- ASSESSMENT OF COSTS AND BENEFITS
- EUROPEAN PUBLIC GOOD
- REVIEW AT A LATER STAGE
- CONCLUSION

AREAS OF INTEREST

The IASB seeks evidence about the costs and benefits of the use of the IFRS Accounting Standards over the long term since 2005.

Application of Standards in large markets, in developing markets and for private companies (including use of the IFRS for SMEs Accounting Standard). Exploration of the extent and quality of implementation.

Impact on **transparency and comparability** of financial information and consequential economic impact.

Impact of **principles-based standards**, use of judgement and application of materiality.

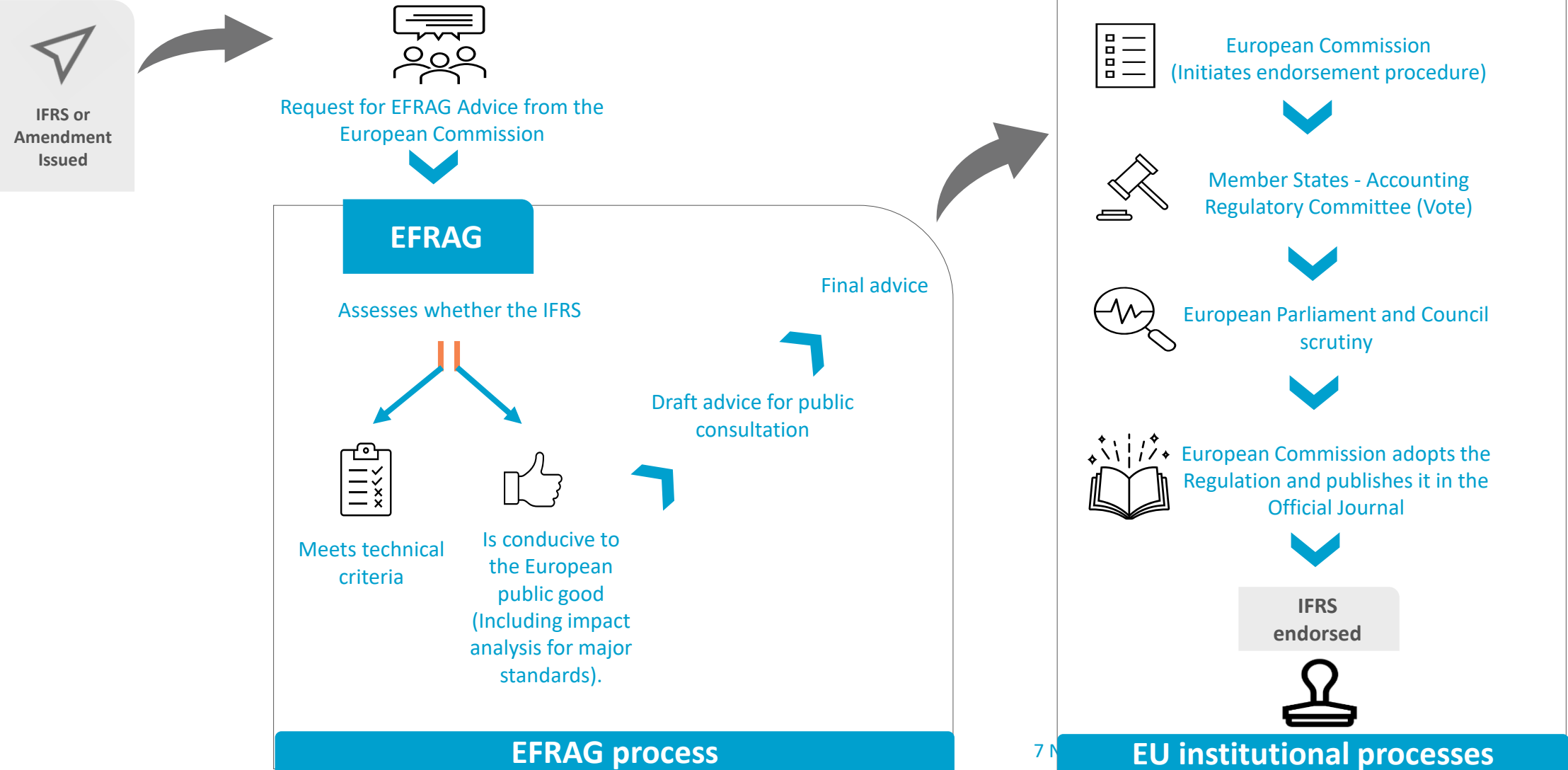
Factors that facilitate the **growth of IFRS Accounting Standards** as the global accounting language.



The application of IFRS is required for publicly traded entities in the EU (consolidated FS) but depends in addition on member state options within the EU. The linked [overview](#) is based on a survey sent by the EC to the Member States.

ENDORSEMENT PROCESS IN THE EU

MAIN STEPS



ENDORSEMENT PROCESS IN THE EU

RESPONSIBILITIES

When the IASB issues a new IFRS Accounting Standards, amendments to an existing IFRS Accounting Standard or IFRS IC Interpretations (referred further in this presentation as “IFRS Accounting Standards”), **the EU aims to endorse them before the IFRS Accounting Standards come into force in the EU** (Article 3 [Regulation \(EC\) No 1606/2002](#) (IAS Regulation)).



Regulation (EC) No 1606/2002 establishes a specific endorsement process under the responsibility of the European Commission together with the following consultative and advisory organisations:

EFRAG

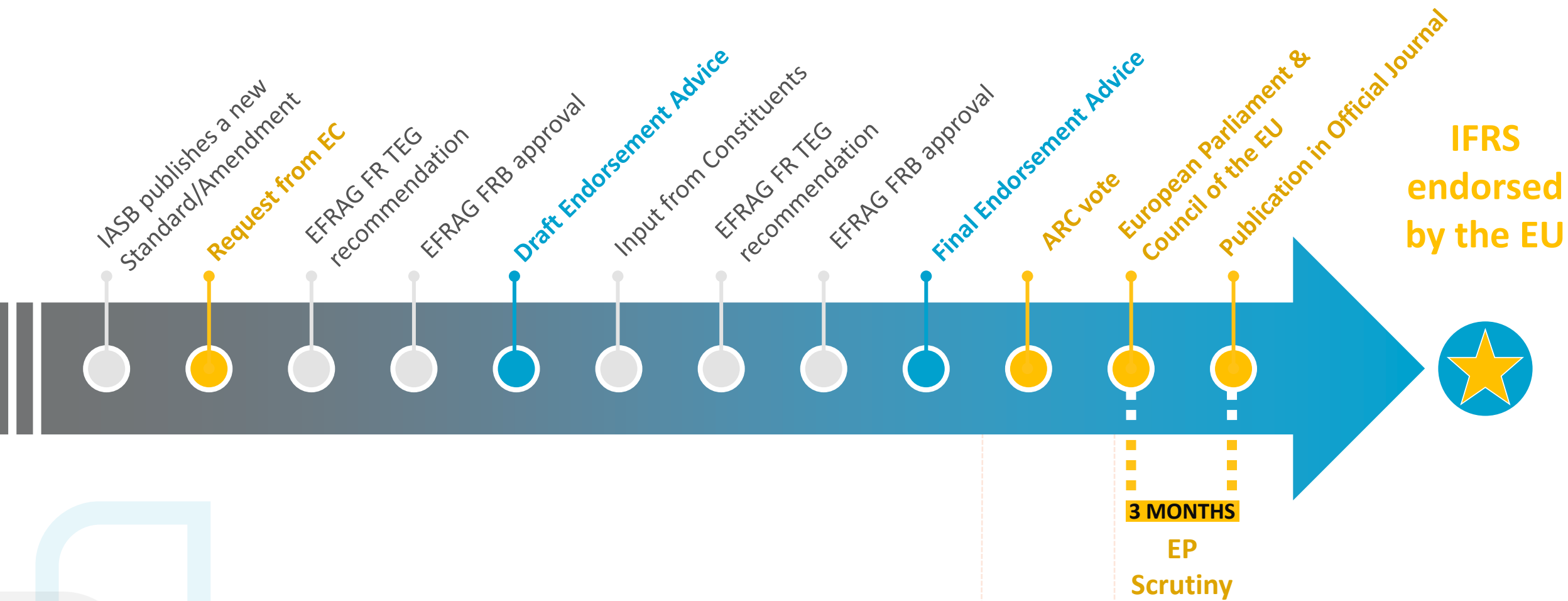
Private association established in **2001** with the encouragement of the European Commission to **serve the public interest**. The **Financial Reporting Pillar of EFRAG** contributes to the development of IFRS Accounting Standards from a European perspective and provides endorsement advice on (amendments to) IFRS Accounting Standards to the European Commission

Accounting Regulatory Committee (ARC)

Set up in accordance with **article 6 of IAS Regulation**. The ARC provides opinion to the European Commission on proposals adopting IFRS Accounting Standards under **Article 3 of IAS Regulation**. It is composed of representatives of the Member States of the EU and EEA countries and chaired by the European Commission

ENDORSEMENT PROCESS IN THE EU

TIMELINE



ENDORSEMENT PROCESS IN THE EU

CRITERIA TO ASSES

[Regulation \(EC\) No 1606/2002](#) (IAS Regulation) establishes the criteria for the IFRS Accounting Standards to be adopted in the EU.

Technical endorsement	European public good	Other
✓ Relevance ✓ Reliability including prudence ✓ Comparability ✓ Understandability ✓ True and Fair view	✓ Potential effect on EU economy (financial stability, competitiveness) ✓ Potential effects on stakeholders ✓ Costs and benefits analysis	✓ Any other areas as requested by the EC

STRATEGY

APPROACH FOR ASSESSMENT OF COSTS AND BENEFITS

- Assessment of the **costs and benefits for different stakeholder** groups
- The underlying data and the assessment plays a role **in each phase of EFRAG's work** (early data collection).
- With this, EFRAG tries to **influence the IASB** to find solutions that are beneficial in the European economic environment and to find **cost mitigation solutions that are still beneficial**.
- This is to **prepare** the conclusion in the **endorsement** phase that there is an acceptable cost benefit trade off and to prevent a negative assessment.

STRATEGY

APPROACH FOR ASSESSMENT OF COSTS AND BENEFITS

Collaborative Framework

European Coordination

- ✓ EFRAG works closely with **National Standard Setters across Europe** through regular exchanges to identify critical assessment areas.
- ✓ **The EC participates as an observer** with speaking rights in EFRAG FR TEG and EFRAG FRB, enabling early involvement and process adaptation.

IASB

- ✓ **The IASB conducts its own effect analysis.** EFRAG uses this as a valuable source but maintains independent assessment responsibility
- ✓ EFRAG influenced the approach through a 2011 [Discussion Paper on assessing effects](#) and 2012 a [position paper](#). The process was [finetuned by the IASB](#) from 2012-2014.

ASSESSMENT OF COSTS AND BENEFITS

STAKEHOLDER-CENTRIC ANALYSIS

 Preparers	 Users	 Auditors	 Regulators
• Implementation and compliance costs, system changes, training requirements (direct and indirect costs) • Impact on processes and Internal Controls	• Decision usefulness, transparency improvements, comparability benefits • Impact on analysis and costs	• Audit complexity, assessment procedures and quality control • Audit costs	• Enforcement considerations, regulatory information needs, market stability, systemic effects



Costs and benefits are examined separately for each group, with most impacted industries identified

ASSESSMENT OF COSTS AND BENEFITS

1

Stakeholder Consultation

Meetings with representatives, surveys, questionnaires, and field testing in selected cases

2

Impact Analysis Cost Benefit Evaluation

Evaluating compliance costs, implementation expenses, and benefits like improved transparency or decision usefulness (internal and external)

3

Academic Research

Use of varied methodologies (Archival studies, experimental research, surveys with descriptive and causal analyses), descriptive statistics and other 'cause and effect' analyses

4

Database Analysis

Review of financial statements and notes during state-of-play assessments

Findings are published in public documents/reports.

Close contact with the European Accounting Association (EAA) and other stakeholders ensures consideration of latest information.

ASSESSMENT OF COSTS AND BENEFITS

QUALITATIVE FOCUS: PRACTICAL CONSTRAINTS OF THE EX-ANTE ASSESSMENT

- ✓ EFRAG primarily conducts **qualitative assessments** rather than extensive quantification. In many cases, detailed studies and (repeated) discussions between stakeholder groups can enable a cost-benefit comparison.
- ✓ **Data availability and stakeholder participation limits** prevent achieving statistically representative sample sizes. Random sampling methods are rarely used.
- ✓ **Timing plays a role** – Stakeholders are interested to finalise IFRS Standardsetting or Maintenance Projects including its endorsement within a certain time frame. Delays due to aiming assessing the impact on a quantitative basis have to be carefully considered.
- ✓ **Quantification** occurs for selected aspects where there is a specific information interest and marginal benefit justifies additional costs. The respective approach is carefully discussed during public meetings.

Coordination on EUROPEAN and INTERNATIONAL level ensures to focus on important areas for assessment

EUROPEAN PUBLIC GOOD (OTHER ASPECTS)

- **Potential effects on the EU economy** like financial stability and competitiveness and whether a Standard/Amendment improves financial reporting will be assessed
 - Compare the new requirements with the existing requirements, including its interaction with provisions of the EU Accounting Directive and how it fits into IFRS Accounting Standards as a whole; Whether EFRAG identified that the standard or amendments could have an adverse effect on the European economy, including financial stability and economic growth.
- **Economists are consulted in selected individual cases** (e.g. IFRS 16 and IFRS 17). The approach is coordinated with the EC and through that with the member states.
- **EFRAG never tried to quantify cost of capital reductions** referred to in the UK paper during the endorsement process. Considerations in this regard are done mainly on a qualitative basis.

REVIEW AT A LATER STAGE

POST IMPLEMENTATION REVIEW – VALIDATE INITIAL ASSESSMENT WITH STAKEHOLDER FEEDBACK



EFRAG participates in **PIR** initiated by the IASB, the initial assessment will be reflected with **actual data from a wide range of stakeholders**



The **collection of data** by academics and **research into specific topics** allows important conclusions to be drawn (including impact on economy)



Lesson to be learned: Feedback received and discussed might lead to **adaptation for future standard setting and endorsement**

CONCLUSION

POINTS FOR POTENTIAL IMPROVEMENTS



EFRAG discussed the approach introduced for **cost of capital measurement within a public meeting**, currently there was limited appetite to integrate it in the current approach.



The use of AI should be further enquired – limits might exist as AI is most useful in dealing with existing data and not in predicting data (costs and benefits).



EFRAG highlights the **benefit of the due process behind the IFRS Financial Statements**, such Due Process ensures careful consideration of costs and benefits and leads to acceptance of the IFRS Accounting Standards. Agenda consultation helps to keep focus.



Recent developments (level of feedback) shows the importance of **targeted outreach**.

CONCLUSION

OVERALL FEEDBACK ON POINTS FOR DISCUSSION

Application of Standards in large markets, in developing markets and for private companies

(including use of the IFRS for SMEs Accounting Standard). Exploration of the extent and quality of implementation.

Impact on **transparency and comparability** of financial information and consequential economic impact.

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Factors that facilitate the **growth of IFRS Accounting Standards** as the global accounting language.



EU and Member state options

Implementation Quality
ESMA

Assessed during consultation and endorsement

Assessed during consultation and endorsement

Indirect – depending on the impact of a standard (e.g. IFRS 19);

Due Process was highlighted to ensure acceptance and items to be addressed

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THANK YOU !