

26 December 2013

EFRAG/ICAS PUBLISH LITERATURE REVIEW ON THE USE OF INFORMATION BY CAPITAL PROVIDERS

The European Financial Reporting Advisory Group (EFRAG) and The Institute of Chartered Accountants of Scotland (ICAS) decided to commission this literature review to identify, consider and evaluate, from a European perspective, the existing evidence on the use of information by capital providers for decision making and assessing stewardship. The review was entrusted to a team of independent European academics whose report draws conclusions and implications from across Europe for standard setters, highlights deficiencies in the existing literature and identifies opportunities for future research on this important topic.

EFRAG/ICAS believe that the IASB standard-setting process must be supported by a sound analysis and understanding of how the information that results from IFRS application is used. Indeed, the objectives of financial reporting are to provide information about an entity that reflects the results of stewardship of management and is useful to a wide range of users in making what are often fundamentally different economic decisions.

The principal conclusion of this review is that financial statements are used in different ways by various capital providers with different needs and different objectives. This reflects the differences in the nature of debt and equity securities, investors' ability to obtain and analyse alternative information sources and different capital providers' level of sophistication.

Commenting on the publication, Françoise Flores, EFRAG Chairman, said "*Changes to be made to financial reporting are costly for all stakeholders involved – issuers and investors more particularly - and should therefore be introduced cautiously, after having reasoned how they contribute to higher quality financial reporting, i.e. how they increase usefulness to users. This literature review provides evidence of how financial statements are used by different capital providers. Lessons are to be drawn from this for future standard-setting efforts and supplementary insights are needed where the literature review could not identify any evidence gathered yet.*"

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Note for editors:

1. *About EFRAG (www.efrag.org)*

The European Financial Reporting Advisory Group, EFRAG, was set up principally for the purpose of:

- Providing pro-active advice to IASB (the International Accounting Standards Board);
- Advising the European Commission on the acceptability of International Financial Reporting Standards (IFRS) for endorsement for use in Europe in the consolidated accounts of all listed companies;
- Stimulating, coordinating, and carrying out pro-active accounting activities;
- Advising the European Commission on any resulting changes to be made to the accounting directives and related topics.

2. *About ICAS and SATER*

Please refer to page 82 of the publication.

3. *Press enquiries*

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