



May 2017

EFRAG Update

The EFRAG Update is published on a monthly basis to inform constituents about due process publications, public technical discussions held and decisions taken during that month.

May Publications

Comment letter

On 4 May, EFRAG published a draft comment letter in response to the IASB's Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation (proposed Amendments to IFRS 9)*. For more details, please see the [EFRAG website](#).

On 31 May, after considering the feedback received, EFRAG published its final comment letter. For more details, please see the [EFRAG website](#).

Preliminary consultation document

On 5 May, EFRAG published its preliminary responses to the questions in the IASB's Discussion Paper DP-2017-1 *Disclosure Initiative - Principles of Disclosure*. Constituents' views are sought by 11 September 2017. The preliminary consultation document will be superseded by a full draft comment letter to be issued in June 2017. For more details, please see the [EFRAG website](#).

May 2017 meetings and conference calls

This edition of the EFRAG Update contains summaries of meetings and conference calls held in May by:

- The EFRAG Board; and
- The EFRAG Technical Expert Group (EFRAG TEG).

Detailed meeting reports

EFRAG Board conference call on 3 May

At its [conference call on 3 May](#), EFRAG Board discussed the following:

- IASB Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation (proposed amendments to IFRS 9)*
- IASB Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*

IASB Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation (proposed amendments to IFRS 9)*

The EFRAG Board approved the draft comment letter for issue for consultation after making the following amendments that:

- Reject the second eligibility criterion that the fair value of the prepayment feature is insignificant at initial recognition, on the basis that this eligibility criterion is not required of financial assets with an asymmetric prepayment feature.
- Suggest that the amendment could be more simply expressed by adding “positive or negative” reasonable compensation in paragraph B4.1.11(b) of IFRS 9.

IASB Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*

The EFRAG Board approved a preliminary consultation document that reflected EFRAG’s preliminary answers to the questions in the IASB’s Discussion Paper. The EFRAG Board decided to consider strategic issues associated with the Disclosure Initiative at its meeting on 31 May 2017 which would be reflected in a full draft comment letter to be issued in June 2017. The full draft comment letter will supersede the preliminary consultation document and might amend some of the proposed answers to the questions in the IASB’s Discussion Paper.

EFRAG Board meeting on 31 May

The EFRAG Board [met on 31 May](#) and discussed the following:

- IASB Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*
- IASB Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation (proposed amendments to IFRS 9)*
- IASB Project *Post-implementation Review of IFRS 13 – Fair Value Measurement*
- EFRAG Research Project *Goodwill - Impairment and Amortisation*
- Accounting for equity instruments from a long-term investing perspective (EC request)
- European Single Electronic Format (update provided by ESMA)
- EFRAG technical work plan.

IASB Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*

The EFRAG Board agreed a number of changes to the draft comment letter as presented, including adding the following:

- Concerns that the IASB Discussion Paper is insufficiently focused on addressing disclosure overload
- The proposed communication principles should be separated into those that could be mandatory principles in a disclosure standard and other best practices that could be non-mandatory guidance accompany a standard
- The issues underpinning the perceived need for more guidance on cross-referencing need to be considered in more detail
- The DP does not distinguish between different types of non-IFRS information and any necessary limitations on the inclusion of such information
- Encourage further work on activity-based disclosures.

EFRAG will issue the draft comment letter early in June and this will supersede the preliminary consultation document issued on 5 May.

IASB Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation (proposed amendments to IFRS 9)*

The EFRAG Board approved the final comment letter to the IASB, confirming the proposal that the effective date of the amendments to IFRS 9 should be 1 January 2019 with early application permitted.

IASB Project *Post-implementation Review of IFRS 13 – Fair Value Measurement*

The EFRAG Board approved the process for seeking views on the post-implementation review of IFRS 13.

EFRAG Research Project *Goodwill - Impairment and Amortisation*

The EFRAG Board provided some suggestions on the content of the paper, including providing clarity on the status of the paper as being for consultation rather than representing final views of EFRAG.

The EFRAG Board approved the Short Discussion Paper for publication with a comment period of 180 days.

Accounting for equity instruments from a long-term investing perspective (EC request)

The EFRAG Board considered the request for technical advice from the EC received on 29 May 2017 and decided that:

- The tight time frame for Phase 1 data collection and analysis required that the scope should be limited to the specific requests from the EC, and within that constraint made a number of suggestions as to what data could be collected.
- The existing EFRAG research project on *Equity Instruments – Impairment and Recycling* would be refocussed to address the specific Phase 2 issues raised by the EC.

European Single Electronic Format (update by ESMA)

ESMA provided the EFRAG Board with an update on the project and the proposed next steps to introduce the *European Single Electronic Format*. No decisions were taken at the meeting.

EFRAG technical work plan

The EFRAG Board decided that the draft comment letter on the forthcoming exposure draft on materiality would be considered at the EFRAG Board July meeting rather than by written procedure.

The EFRAG Board approved the technical work plan.

EFRAG Board – May written procedures

The EFRAG Board was not presented with any document for approval using written procedures during May 2017.

EFRAG TEG conference call on 24 May

At its [conference call on 24 May](#), EFRAG TEG discussed the following topic:

IASB Exposure Draft ED/2017/3 Prepayment Features with Negative Compensation (proposed amendments to IFRS 9)

EFRAG TEG considered the feedback received in response to EFRAG's draft comment letter and agreed to recommend to the EFRAG Board a final comment letter, subject to drafting improvements.

EFRAG TEG also discussed some examples of prepayment features with negative compensation in contracts made available by a European bank.

EFRAG TEG meeting on 10-11 May

At its [meeting on 10-11 May](#), EFRAG TEG discussed:

- IASB Project *Insurance Contracts*
- IASB Project *Definition of Material* (Amendments to IAS 1 and IAS 8)
- IASB Project *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16)
- IASB Project *Post-implementation Review of IFRS 13 – Fair Value Measurement*
- IASB Project *Amendments to IAS 8 Changes in Accounting Policies and Accounting Estimates*
- IASB Research Project *Goodwill and Impairment*
- EFRAG Research Project *Goodwill - Impairment and Amortisation*
- European Single Electronic Format

IASB Project *Insurance Contracts*

EFRAG TEG was provided with an update on EFRAG IAWG discussions held in February and April 2017 on determining fair value of insurance liabilities at transition to IFRS 17 *Insurance Contracts*. EFRAG TEG was also informed about a questionnaire that will be sent to EFRAG IAWG members about understanding current insurance accounting.

No decisions were taken at the meeting.

IASB Project *Definition of Material (Amendments to IAS 1 and IAS 8)*

EFRAG TEG had a preliminary discussion on the expected content of the forthcoming Exposure Draft. EFRAG TEG supported the objective of aligning the definition of 'material' in IFRS Standards with the definition expected in the forthcoming revised Conceptual Framework. Specifically, EFRAG TEG welcomed replacing the 'could influence' threshold with 'could reasonably be expected to influence'. However, EFRAG TEG members disagreed with the introduction of the term 'obscuring' in the definition of materiality.

No decisions were taken at the meeting.

IASB Project *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*

EFRAG TEG discussed the forthcoming proposed amendments to IAS 16 *Property, Plant and Equipment*. EFRAG TEG generally agreed with the proposed changes. However, EFRAG TEG members suggested that guidance should be provided on how to distinguish cost of testing from other costs incurred in getting the item of property, plant and equipment ready for its intended use.

No decisions were taken at the meeting.

IASB Project *Post-implementation Review of IFRS 13 – Fair Value Measurement*

EFRAG TEG agreed that the topics expected to be included in the IASB's Request for Views, as supplemented by the two additional issues identified by the EFRAG Secretariat, adequately covered the issues to be considered in the post-implementation review of IFRS 13. EFRAG TEG also agreed with the proposed outreach activities.

No decisions were taken at the meeting.

IASB Project *Amendments to IAS 8 Changes in Accounting Policies and Accounting Estimates*

EFRAG TEG discussed the proposed amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. EFRAG TEG members generally agreed with the proposed changes to the definitions in IAS 8 and with the clarification that the selection of a cost formula in IAS 2 *Inventories* is an accounting policy choice.

No decisions were taken at the meeting.

IASB Research Project *Goodwill and Impairment*

EFRAG TEG considered the next steps on two issues arising from recognising deferred tax liabilities in the initial measurement of goodwill. EFRAG TEG agreed that the issues related partly to whether or not fair value was determined on a pre- or post-tax basis.

EFRAG TEG noted that not measuring deferred tax liabilities at fair value would result in a measurement difference being included in goodwill that could be considered in the IASB's project on Goodwill and Impairment.

No decisions were taken at the meeting.

EFRAG Research Project *Goodwill - Impairment and Amortisation*

EFRAG TEG discussed a draft of a Short Discussion Series on improvements to the goodwill impairment test in IAS 36 *Impairment of Assets*. EFRAG TEG proposed some improvements to the structure of the paper, providing a summary of the objective of each of the suggestions in the paper and some other drafting improvements. EFRAG TEG agreed to recommend the publication of the paper to the EFRAG Board.

European Single Electronic Format

ESMA provided the EFRAG TEG with an update on the project and the proposed next steps to introduce the *European Single Electronic Format*. No decisions were taken at the meeting.