



April 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.

April Publications

Final Endorsement Advice

On 6 April, EFRAG submitted the following Endorsement Advices to the European Commission on:

- IASB publication *Annual Improvements to IFRS Standards 2014-2016 Cycle*. For more details, please see the [EFRAG website](#).
- IASB publication *Transfers of Investment Property (Amendments to IAS 40)*. For more details, please see the [EFRAG website](#).
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. For more details, please see the [EFRAG website](#).

Final Comment Letter

On 19 April, EFRAG published its comment letter in response to the IASB's ED/2017/1 *Annual Improvements to IFRS Standards 2015-2017 Cycle* and the related feedback statement summarizing how input received on EFRAG's draft comment letter was considered.

For more details, please see the [EFRAG website](#).

Draft Comment Letter

On 26 April, EFRAG published its draft comment letter in response to the IASB's ED/2017/2 *Improvements to IFRS 8 Operating Segments – Proposed amendments to IFRS 8 and IAS 34*. Comments are requested by 17 July 2017.

For more details, please see the [EFRAG website](#).

April 2017 meetings and conference calls

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

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

Detailed meeting reports

EFRAG Board meeting on 11 April

The EFRAG Board [met on 11 April](#) and discussed the following:

- IASB Discussion Paper *Disclosure Initiative – Principles of Disclosure*
- IASB Project *Insurance Contracts*
- EFRAG Research Activities
- EFRAG Research Project *Discount Rates*
- EFRAG technical work plan.

IASB Discussion Paper *Disclosure Initiative – Principles of Disclosure*

The EFRAG Board considered the approach to preparing a draft comment letter on the *Principles of Disclosure* Discussion Paper and decided to proceed in two steps. Draft answers to the Discussion Paper will be issued for comment early in May 2017, after discussion at the EFRAG Board conference call on 3 May. The EFRAG Board will then consider other issues arising from the Discussion Paper at its meeting on 31 May and issue a complete draft comment letter.

IASB Project *Insurance Contracts*

The EFRAG Board received a briefing from the Chief Financial Officer of Allianz on the company's preliminary views of the impact of forthcoming IFRS 17 *Insurance Contracts* on its business. No decisions were taken at the meeting.

EFRAG Research Activities

The EFRAG Board received an update on the EFRAG research projects. No decisions were taken at the meeting.

EFRAG Research Project *Discount Rates*

The EFRAG Board considered a summary of the discussion in EFRAG TEG around the use of discounting in the current low interest rate environment.

The EFRAG Board decided that the project should be continued, but not as a high priority. Some National Standard Setters expressed an interest in joining the project.

EFRAG technical work plan

The EFRAG Board approved the technical work plan and suggested future topics that could be added, subject to the availability of relevant presenters.

EFRAG Board – April written procedures

The EFRAG Board approved the following document, using written procedures:

- EFRAG's Endorsement Advice on IASB publication *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- EFRAG's Endorsement Advice on IASB publication *Transfers of Investment Property (Amendments to IAS 40)*
- EFRAG's Endorsement Advice on IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.
- EFRAG's Comment Letter on IASB ED/2017/1 *Annual Improvements to IFRS Standards 2015-2017 Cycle*
- EFRAG's Draft Comment Letter on IASB ED/2017/2 *Improvements to IFRS 8 Operating Segments - Proposed amendments to IFRS 8 and IAS 34*

EFRAG TEG conference call on 12 April

At its [conference call on 12 April](#), EFRAG TEG discussed:

- IASB Exposure Draft ED/2017/1 *Annual Improvements to IFRS Standards 2015-2017 Cycle*
- IASB Project *Post-implementation Review: IFRS 8 Operating Segments*.

IASB Exposure Draft ED/2017/1 *Annual Improvements to IFRS Standards 2015-2017 Cycle*

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

The resulting comment letter broadly supports most of the proposals in the ED. However, the letter raises concerns about the proposed amendments to:

- IAS 12 *Income Taxes*, where EFRAG commented that amending IAS 12 without providing guidance on how to determine whether the payments are distributions of profits may not lead to a significant improvement in consistent application compared to the current situation.
- IAS 28 *Investments in Associates and Joint Ventures*, where EFRAG recommended that guidance on the application of the proposed amendments was required.

EFRAG TEG approved a feedback statement summarising the input received on EFRAG's draft comment letter in response to the IASB Exposure Draft and how these comments were considered by EFRAG in finalising its comment letter to the IASB.

IASB Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments – Proposed amendments to IFRS 8 and IAS 34*

EFRAG TEG agreed to recommend a draft comment letter, subject to minor drafting changes, to the EFRAG Board broadly supporting the proposed amendments in the IASB's ED/2017/2 *Improvements to IFRS 8 Operating segments – Proposed amendments to IFRS 8 and IAS 34*.

EFRAG TEG expressed reservations over the proposal to require an entity to explain why the segments identified in an entity's financial statements are different to the segments reported outside of the financial statements. It was recommended to add a question to constituents to seek input on what steps, if any, the IASB could take to address the lack of consistency in reportable segments across an entity's reporting.

EFRAG TEG also raised concerns that the proposed definition of an entity's 'annual reporting package' may prove difficult to apply in practice and recommended that the IASB use terminology in IFRS Standards rather than introducing a new term. It was recommended to add a question to constituents on the IASB proposal to define 'annual reporting package'.

EFRAG TEG conference call on 26 April

At its [conference call on 26 April](#), EFRAG TEG discussed:

- 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)*

EFRAG TEG agreed to recommend to the EFRAG Board a draft comment letter supporting the proposed amendments, subject to drafting improvements. EFRAG TEG recommended:

- Adding a question to constituents to confirm the results of EFRAG's preliminary outreach that the issue is sufficiently widespread in Europe to warrant an amendment to IFRS 9 so close to its effective date.
- Revising the draft comment letter to better explain the concerns arising from the proposed effective date of 1 January 2018 from a European perspective and recommend an effective date of 1 January 2019 with earlier application permitted.
- Explaining that EFRAG sees no need for additional transition requirements beyond those proposed in the Exposure Draft if the effective date of the amendments becomes 1 January 2019 with earlier application permitted.

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

EFRAG TEG unanimously agreed to recommend to the EFRAG Board a Preliminary Consultation Document expressing EFRAG's initial views in response to the questions raised in the Discussion Paper.

In the Preliminary Consultation Document, EFRAG TEG generally supported the IASB's initiative to improve disclosure effectiveness but expressed concerns that the Discussion Paper does not address some of the issues that were identified when the project was initially started. EFRAG TEG also considered that the proposed guidance should not limit its focus to the structure of the notes or the location of information but rather aim to develop principles to identify why, when and where information should be disclosed.

EFRAG TEG members noted that the objective of issuing a Preliminary Consultation Document is to provide constituents with the maximum amount of time possible to consider the proposed responses to the questions raised in the Discussion Paper, and that draft positions expressed should be considered as tentative until EFRAG's complete draft comment letter is issued.