



January 2016

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.

January Publications

Final Comment letter

On 19 January, EFRAG published its final comment letter in response to the IASB's *Request for Views: 2015 Agenda Consultation*.

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

Summary reports of outreach events

On 13 January, EFRAG published a summary report of the outreach event held in Copenhagen on 25 November 2015, jointly with the Confederation of Danish Industry (DI), the Danish Accounting Standards Committee (DASC), on EFRAG and IASB Agenda Consultations.

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

On 12 January, EFRAG published a summary report of the outreach event held in Brussels on 23 September 2015 on the IASB's *Conceptual Framework for Financial Reporting* and the results of an academic study, sponsored by EFRAG and the Institute of Chartered Accountants of Scotland (ICAS) on professional investors' financial information usage.

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

January 2016 meetings and conference calls

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

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

Detailed meeting reports

EFRAG Board meeting on 14 January

The EFRAG Board met on 14 January and discussed the following:

- IASB Exposure Draft ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- IASB Request for Views *2015 Agenda Consultation*
- IFRS 16 *Leases*
- IASB Project *Disclosure Initiative*
- EFRAG Work plan

IASB Exposure Draft ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

EFRAG Board considered presentations from CNP Assurances/Munich RE and KBC on the implications of the overlay approach. No decisions were taken at the meeting.

IASB Request for Views *2015 Agenda Consultation*

EFRAG Board approved the EFRAG comment letter to the IASB.

IFRS 16 *Leases*

EFRAG Board considered a list of items that might be considered in the forthcoming EFRAG effects analysis. These will be discussed further at a future meeting.

EFRAG Board received presentations from Leaseurope and Investors. No decisions were taken at the meeting.

IASB Project *Disclosure Initiative*

EFRAG Board received a presentation on the forthcoming Principles of Disclosure Discussion Paper and an update on the Disclosure Initiative project. No decisions were taken at the meeting.

EFRAG Work plan

The EFRAG Board approved the work plan as presented.

EFRAG Board – January written procedures

The EFRAG Board has not approved documents using written procedures.

EFRAG Board – Expected February written procedures

During February, the EFRAG Board is expected to approve the following document by written procedure:

- EFRAG's final comment letter on the IFRS Interpretations Committee DI/2015/2 *Foreign Currency Transactions and Advance Consideration*

EFRAG TEG conference call on 7 January

At its conference call on 7 January, EFRAG TEG discussed:

- IASB Request for Views *2015 Agenda Consultation*

IASB Request for Views *2015 Agenda Consultation*

EFRAG TEG considered the replies from constituents, which, overall, supported the views expressed by EFRAG in its draft comment letter. EFRAG TEG confirmed that the main priorities were the finalisation of the new insurance contracts Standard, the revision of the Conceptual Framework and making progress with the Disclosure Initiative and the Dynamic Risk Management projects. EFRAG TEG also considered that the following five Research projects should have high priority:

- Financial Instruments with Characteristics of Equity;
- Discount Rates;
- Equity Method;
- Primary Financial Statements; and
- Goodwill and Impairment.

EFRAG TEG meeting on 27-28 January

At its meeting on 27- 28 January, EFRAG TEG discussed:

- IFRS 9 *Financial Instruments*
- IFRS 16 *Leases*
- IASB Exposure Draft ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*
- EFRAG 2015 Agenda Consultation
- IASB Publications: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)* and *Effective Date of Amendments to IFRS 10 and IAS 28*
- IFRS Interpretations Committee DI/2015/1 *Accounting for Uncertainties in Income Taxes*
- IFRS Interpretations Committee DI/2015/2 *Foreign Currency Transactions and Advance Consideration*
- IASB Project *Definition of a Business*
- IASB Project *Rate-regulated Activities*
- EFRAG Proactive work on Goodwill, impairment and amortisation
- EFRAG Proactive work on a Measurement Bulletin

IFRS 9 *Financial Instruments*

EFRAG TEG was informed of the recent amendments issued by the FASB on the classification and measurement of financial instruments and the divergences from IFRS 9 *Financial Instruments*. EFRAG TEG discussed the possible implication, if any, of those divergences.

IFRS 16 *Leases*

EFRAG TEG received an update on the provisions contained in the new standard and the differences with the existing guidance and discussed the preparation of the forthcoming draft endorsement advice.

No decisions were taken at the meeting.

IASB Exposure Draft ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

EFRAG TEG considered presentations from CNP Assurances/Munich RE and KBC on the implications of the overlay approach.

EFRAG TEG discussed the comments received from constituents on EFRAG's draft comment letter and agreed to recommend a final comment letter to the EFRAG Board subject to certain improvements.

IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*

EFRAG TEG approved a feedback statement summarising the input received on EFRAG's comment letter in response to the IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*.

In addition, EFRAG TEG considered the responses to the EFRAG questionnaire on the proposed definitions of an asset and of a liability. A summary of the responses will be published on EFRAG's website and EFRAG will communicate the findings to the IASB.

EFRAG 2015 Agenda Consultation

EFRAG TEG considered the feedback received on EFRAG's consultation on its proactive agenda. Overall, respondents supported EFRAG's proactive work as an important contribution to the accounting debate but stressed the importance of basing each project on appropriate evidence. Respondents also invited EFRAG to cooperate with the IASB, while maintaining its independence.

EFRAG TEG also discussed a list of potential topics for future proactive work. There was support for EFRAG developing work plans for the projects on Transactions with Government and an Impairment model for Equity Instruments.

IASB Publication: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) and Effective Date of Amendments to IFRS 10 and IAS 28*

EFRAG TEG received an update on the IASB's decision to postpone indefinitely the effective date of the amendments issued in 2014 and discussed next steps. EFRAG TEG agreed to recommend to the EFRAG Board a letter to the European Commission outlining the effects of the IASB's recent decisions on the endorsement process.

IFRS Interpretations Committee DI/2015/1 *Accounting for Uncertainties in Income Taxes*

EFRAG TEG discussed the feedback received in response to the consultation on EFRAG's draft comment letter and recommended a final comment letter to the EFRAG Board supporting the proposed interpretation.

IFRS Interpretations Committee DI/2015/2 *Foreign Currency Transactions and Advance Consideration*

EFRAG TEG discussed the feedback received in response to the consultation on EFRAG's draft comment letter and recommended a final comment letter to the EFRAG Board supporting the proposed interpretation.

IASB Project *Definition of a Business*

EFRAG TEG had an initial discussion on the forthcoming amendments to IFRS 3 *Business Combinations* to clarify the definition of a business. EFRAG TEG broadly welcomed the project, but noted that some of the proposals were difficult to understand when looked at in isolation, making it difficult to assess whether all the proposals were needed to determine whether an acquired set of assets was a business.

No decisions were taken at the meeting.

IASB Project *Rate-regulated Activities*

EFRAG TEG considered the outreach conducted by EFRAG Secretariat in 2015 on real-life examples of activities subject to defined rate regulation, and how rights and obligations might be accounted for in the IFRS financial statements. EFRAG TEG asked EFRAG Secretariat to explore how the relevant rights and obligations would relate to assets and liabilities in the Conceptual Framework Exposure Draft and whether and how the principles in IFRS 15 *Revenue from Contracts with Customers* would be relevant in the recognition of revenue by Rate-Regulated entities.

EFRAG Proactive work on Goodwill, impairment and amortisation

EFRAG TEG discussed a paper showing quantitative data relating to goodwill in the financial statements of European entities. This paper summarised some of the key data found in a number of European studies focused on goodwill and goodwill impairments trends across countries and industries within the European market from 2007 to 2014.

EFRAG TEG discussed how these data could be used to corroborate the conceptual research on the accounting treatment of goodwill.

No decisions were taken at the meeting.

EFRAG Proactive work on a Measurement Bulletin

EFRAG TEG discussed and agreed the content of a paper – derived from EFRAG's due process on the Conceptual Framework Exposure Draft - that would be provided to the IASB as additional input to their deliberations of comments received. The paper will include suggestions on how to supplement the measurement section of the ED, to increase the standard-setting guidance available to the IASB in line with the recommendation of EFRAG in its comment letter. EFRAG TEG intends to review and approve a re-draft of the paper at its next meeting so as to recommend it to the EFRAG Board.