

October 2015

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.

October Publications

Final Comment letter

On 23 October, EFRAG published its final comment letter in response to the IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*. For more details, please see the [EFRAG website](#).

Draft Comment letter

On 5 October, EFRAG published its draft response to the Request for Views regarding the Trustees' *Review of Structure and Effectiveness: Issues for the Review of July 2015* and seeks constituents' views. Comments on the draft letter are requested by 30 November 2015. For more details, please see the [EFRAG website](#).

Questionnaire

On 17 October, EFRAG published a questionnaire on the proposed definitions of assets and liabilities in the IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*. For more details, please see the [EFRAG website](#).

October 2015 meetings and conference calls

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

- EFRAG Board
- EFRAG Technical Expert Group (EFRAG TEG)

Detailed meeting reports

EFRAG Board meeting on 28 October

The EFRAG Board met on 28 October and discussed the following:

- IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*
- IASB Project *Insurance*
- IASB Exposure Draft ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements*
- IASB Research Project *Equity Method of Accounting*
- Work Plan

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

The EFRAG Board considered issues arising from the ED and decided not to change the EFRAG document for public consultation.

With the conclusions of its deliberations on issues arising from the ED, the EFRAG Board decided to provide an update to constituents as a supplement to the EFRAG document for public consultation to explain the few changes being proposed.

IASB Project *Insurance*

The EFRAG Board decided that the supplementary letter to the European Commission, that was envisaged in the endorsement advice on IFRS 9 *Financial Instruments* should:

- provide a summary of the deferral and overlay approaches proposed as amendments to IFRS 4 *Insurance Contracts*, an explanation of the potential impacts of the approaches and the status of the IASB's forthcoming Exposure Draft;
- explain that the conclusions reached in the endorsement advice that relate to insurance remain unchanged;
- affirm the need for all entities in Europe, whether they carry insurance activities or not, to have certainty as to the date of applicability of IFRS 9 to them without waiting for the outcome of the current deliberations by the IASB.

IASB Exposure Draft ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements*

The EFRAG Board held a preliminary discussion on the forthcoming ED and decided to consider a draft comment letter at its November meeting.

IASB Research Project *Equity Method of Accounting*

The EFRAG Board approved a paper proposing a scope for the IASB's equity method research project for submission to the December meeting of the IASB's Accounting Standards Advisory Forum.

Work Plan

The EFRAG Board approved the work plan as presented.

EFRAG Board – October written procedures

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

- EFRAG Final Comment Letter on the IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*

EFRAG Board – Expected November written procedures

During November, the EFRAG Board is expected to approve the following documents using written procedures:

- EFRAG Draft Comment Letter on IFRS Interpretations Committee *Foreign Currency Transactions and Advance Consideration*
- EFRAG Draft Comment Letter on IFRS Interpretations Committee Draft Interpretation *Accounting for Uncertainties in Income Taxes*
- EFRAG Final Comment Letter on IASB Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)*

EFRAG TEG conference call on 29 October

At its conference call on 29 October, EFRAG TEG discussed:

- IASB Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/ Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)*.

IASB Exposure Draft ED/2015/5 Remeasurement on a Plan Amendment, Curtailment or Settlement/ Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)

EFRAG TEG agreed to recommend a final comment letter to the EFRAG Board subject to drafting. In the letter, EFRAG welcomes the amendments proposed by the IASB and agrees that they address issues needing clarifications.

EFRAG TEG conference call on 20 October

At its conference call on 20 October, EFRAG TEG discussed:

- IASB Research Project *Equity Method of Accounting*
- IASB Exposure Draft ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements*
- IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*

IASB Research Project *Equity Method of Accounting*

EFRAG TEG agreed to recommend to the EFRAG Board a paper proposing the scope of the IASB's research project on the equity method of accounting, as it is applied in consolidated financial statements. The paper was discussed at the EFRAG Board meeting on 28 October 2015 (see above).

IASB Exposure Draft ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements*

EFRAG TEG discussed whether the Practice Statement had the potential to trigger changes in behaviour in the application of materiality, in particular in relation to the notes. EFRAG TEG approved an advice, for the consideration of the EFRAG Board, outlining the conditions necessary for the Practice Statement to trigger such changes. The paper was discussed at the EFRAG Board meeting on 28 October 2015 (see above).

IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*

EFRAG TEG agreed to recommend a final comment letter to the EFRAG Board. In the comment letter, EFRAG supports the IASB's decision to defer ad hoc changes to IAS 28 *Investments in Associates and Joint Ventures* until the research on the equity method of accounting is completed. EFRAG has urged the IASB to progress that project as a priority, focusing on bringing solutions to the outstanding issues in a timely manner.

However, EFRAG is opposed to early application remaining possible after the effective date of the amendments has been postponed.

EFRAG TEG meeting on 7 - 8 October

At its meeting on 7 – 8 October, EFRAG TEG discussed:

- IASB Project *Insurance*
- IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*
- IFRS 9 *Financial Instruments* (Transition Resource Group)
- IASB Project *Disclosure Initiative*
- IASB Research Project *Reporting the Financial Effects of Rate Regulation*
- EFRAG Research Activity – Current and Future Developments
- EFRAG Proactive Work - Pension plans
- Activity of the IFRS Interpretations Committee
 - IFRS Interpretations Committee Project: *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - How to present Intragroup Transactions between Continuing and Discontinued Operations*
 - IFRS Interpretations Committee Project: *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - How to present Intragroup Transactions between Continuing and Discontinued Operations.*

IASB Project *Insurance*

EFRAG TEG discussed, in very preliminary mode, the deferral and overlay approaches proposed by the IASB in finding a solution for the misalignment of the implementation dates of IFRS 9

Financial Instruments and the future insurance contracts standard. All EFRAG TEG members were in favour of a deferral option, whilst most thought the overlay option was also worth pursuing. On the deferral approach, EFRAG TEG was divided as to whether it should be applied at, or below, reporting entity level, with however a majority being in favour of it being applied below the reporting entity level. On the overlay approach, EFRAG TEG broadly supported the IASB's proposals, as currently worded, subject to clarifying what financial assets related to insurance contracts are in the scope of IFRS 4 *Insurance Contracts*, and leaving the presentation issue pending for the time being.

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

EFRAG TEG considered some of the input already received in response to its consultation documents on the Conceptual Framework. EFRAG TEG tentatively decided to further explain what it meant by 'stewardship' and the implications of including an objective of assessing stewardship in the Conceptual Framework.

EFRAG TEG noted that constituents at outreach events had expressed that the Conceptual Framework should be a 'living document'. It tentatively decided to reflect this in its comment letter in response to the IASB's Exposure Draft ED 2015/3 *Conceptual Framework for Financial Reporting* ('the ED').

In its document for public consultation, EFRAG had noted that the ED did not provide sufficient guidance on some issues. EFRAG TEG decided to further discuss what issues should be addressed by the IASB in its current project on the Conceptual Framework and what issues could be considered in separate projects with high priority. EFRAG TEG also discussed what items should be reported in OCI.

IFRS 9 *Financial Instruments* (Transition Resource Group)

EFRAG TEG was informed about the topics discussed at two meetings of the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG). EFRAG TEG provided comments on several issues, none of which was in disagreement with the outcomes of the ITG debates. EFRAG TEG also expressed the opinion that the ITG work should continue beyond the end of 2015.

IASB Project *Disclosure Initiative*

EFRAG TEG received an update on current developments in the IASB project, including a proposed objective-based approach to drafting disclosure requirements and the IASB Exposure Draft ED/2014/6 *Disclosure Initiative (Proposed amendments to IAS 7)*. EFRAG TEG expressed broad support for the direction of the proposals to drafting disclosure requirements. Some members believed that the proposals could be improved by making the objectives for disclosures less generic. Some members also believed that the IASB should take a step back and clarify the boundaries of the notes, before developing an approach to drafting disclosures.

IASB Research Project *Reporting the Financial Effects of Rate Regulation*

EFRAG TEG considered the specific rights and obligations that are common to defined rate regulation, as described in the IASB's discussion paper and how these might be accounted for under the different views expressed by EFRAG TEG in previous discussions. EFRAG TEG generally agreed that there could be circumstances where the regulatory agreement between a rate-regulated entity and a rate regulator created rights and obligations that should be recognised in the balance sheet. However, EFRAG TEG shared different views on what the 'performance obligation' was, that gave rise to a revenue-generating activity, and consequently when revenue should be recognised by the entity. For example, if an entity met an obligation to maintain its

infrastructure and had a right to recover the costs it had spent doing so, did it mean the entity had earned revenue on the date the right arose? No decisions were taken.

EFRAG Research Activity – Current and Future Developments

EFRAG Secretariat provided a summary of the current status and planned steps for each research project. A discussion followed on some of the projects and how they relate to current IASB research or maintenance activities.

EFRAG Proactive Work - Pension plans

EFRAG TEG discussed a draft research project plan on accounting for pensions in employers' financial statements. EFRAG TEG supported the research, but provided comments on the scope of the research and on the draft plan of activities. Moreover, EFRAG TEG supported the creation of a dedicated Advisory Group and suggested that actuaries should also be invited. EFRAG Secretariat will present an amended draft research project plan at a future meeting.

Activity of the IFRS Interpretations Committee

[IFRS 11 Joint Arrangements - Remeasurement of previously held interests: various transactions](#)

EFRAG TEG considered the recent decisions taken by the IFRS Interpretations Committee on various transactions under IFRS 11 *Joint Arrangements*, involving obtaining control or joint control of a joint operation that comprises a business. Specifically, the question asked was whether the previously held interest/ retained interest resulting from these transactions should be re-measured. EFRAG TEG supported the decisions of the IFRS Interpretations Committee to address two of the issues and agreed with the tentative decision rejection notice, not to add to its agenda, transactions involving asset acquisitions where the asset, or group of assets, does not meet the definition of a business.

[IFRS Interpretations Committee Project: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - How to present Intragroup Transactions between Continuing and Discontinued Operations](#)

EFRAG TEG discussed an issues paper in which examples were provided to illustrate the tentative decisions taken by the IFRS Interpretations Committee with regard to the presentation of intragroup transactions between continuing and discontinued operations under IFRS 5. EFRAG TEG supported the view expressed by the IFRS Interpretations Committee and concurred with the decision taken not to add this issue to its agenda.