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E-Mail info@drsc.de

**EFRAG**

Roger Marshall  
35 Square de Meeûs  
B-1000 Brussels  
Belgique

Berlin, 20 November 2014

Dear Roger,

## **DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON ANNUAL IMPROVEMENTS TO IFRSs 2012–2014 CYCLE**

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Assessment of the IASB's Annual Improvements to IFRSs 2012–2014 Cycle ('AIP').

We agree with the views set out in the assessment. As a national standard-setter we are not in a position to answer the questions regarding the costs that will arise for preparers and for users to implement the AIP. We therefore sent your assessment-form to the DAX30 entities and got feedback from four entities, which indicated that they agree to the assessment made by EFRAG.

As attachments to this letter you will find our comments to the above mentioned assessment as well as those received from the DAX30 entities.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

*President*

**INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON ANNUAL IMPROVEMENTS TO IFRSs 2012–2014 CYCLE**

**Comments should be sent to [commentletters@efrag.org](mailto:commentletters@efrag.org) by [20 November 2014]**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Annual Improvements to IFRSs 2012-2014 Cycle* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1.

**Notes to constituents**

The endorsement advice on the Amendments will be finalised by the EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Liesel Knorr, ASCG (Accounting Standards Committee

of Germany)

- (b) Are you a:

Preparer  User  Other (please specify)

National Standard Setter

- (c) Please provide a short description of your activity:

see above (b)

- (d) Country where you are located:

*Annual Improvements to IFRSs 2012-2014 Cycle  
Invitation to Comment on EFRAG's Initial Assessments*

Germany

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- (e) Contact details including e-mail address:

Liesel Knorr – c/o DRSC e.V.

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Zimmerstr. 30; 10969 Berlin

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knorr@drsc.de

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- 2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

- (a) Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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- (b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

One of our constituents mentions that they believe that the new guidance on IAS 19 could be misleading as it does not define any quality criteria for government bonds. This might result in diversity in practice and thus reduce comparability of financial statements.

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- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 3, 10, 20, and 23 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 5 and IAS 19 is that:

- (a) *IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method*: Overall, EFRAG's initial assessment is that the Amendments to IFRS 5 are likely to result in both some insignificant one-off costs and ongoing costs for preparers while users are likely to incur only insignificant one-off costs; and
- (b) *IAS 19 Employee Benefits: Discount rate: Regional market issue*: Overall, EFRAG's initial assessment is that the Amendments to IAS 19 are likely to result in insignificant one-off and ongoing costs both for preparers and users.

Do you agree with this assessment?

*Annual Improvements to IFRSs 2012-2014 Cycle  
Invitation to Comment on EFRAG's Initial Assessments*

Yes       No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We as a national standard setter are not in a position to comment on this issue.

---

The constituents responding to this survey agree with EFRAG's assessment.

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- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 3, 16 and 28 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 5 and IAS 19 is that:

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- (b) *IAS 19 Employee Benefits: Discount rate: Regional market issue*: Overall, EFRAG's initial assessment is that users and preparers are likely to benefit from the Amendments to IAS 19 as the information resulting from them will reduce divergence in practice and increase comparability in applying current requirements in IAS 19.

Do you agree with this assessment?

Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

We as a national standard setter are not in a position to comment on this issue.

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The constituents responding to this survey agree with EFRAG's assessment.

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- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

We as a national standard setter are not in a position to comment on this issue.

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The constituents responding to this survey agree with EFRAG's assessment.

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*Annual Improvements to IFRSs 2012-2014 Cycle  
Invitation to Comment on EFRAG's Initial Assessments*

- 6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes       No

If yes, please provide your reasons.

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- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes       No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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A summary of the Amendments is set out in Appendix 1.

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1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Linde AG

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- (b) Are you a:

Preparer  User  Other (please specify)

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- (c) Please provide a short description of your activity:

*Annual Improvements to IFRSs 2012-2014 Cycle  
Invitation to Comment on EFRAG's Initial Assessments*

Gases and Engineering

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- (d) Country where you are located:

Germany

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- (e) Contact details including e-mail address:

Attn. Hans Fladung, Klosterhofstraße 1, 80331 Munich

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Hans-dieter.fladung@linde.com

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- 2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

- (a) Do you agree with this assessment?

Yes

No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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- (b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?
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- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

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- (b) *IAS 19 Employee Benefits: Discount rate: Regional market issue:* Overall, EFRAG's initial assessment is that the Amendments to IAS 19 are likely to result in insignificant one-off and ongoing costs both for preparers and users.

Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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Do you agree with this assessment?

Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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*Annual Improvements to IFRSs 2012-2014 Cycle  
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Do you agree with this assessment?

Yes       No

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- 6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes       No

If yes, please provide your reasons.

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- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes       No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- (b) Are you a:

Preparer  User  Other (please specify)

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- (c) Please provide a short description of your activity:

*Annual Improvements to IFRSs 2012-2014 Cycle  
Invitation to Comment on EFRAG's Initial Assessments*

Healthcare, Cropscience, Materialscience

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- (d) Country where you are located:

Germany

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- (e) Contact details including e-mail address:

xxx

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- (a) Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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- (b) *IAS 19 Employee Benefits: Discount rate: Regional market issue:* Overall, EFRAG's initial assessment is that the Amendments to IAS 19 are likely to result in insignificant one-off and ongoing costs both for preparers and users.

Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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*Annual Improvements to IFRSs 2012-2014 Cycle  
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- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- 6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes       No

If yes, please provide your reasons.

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- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes       No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Daimler AG

Epplestrasse 225

70567 Stuttgart / Germany

- (b) Are you a:

Preparer  User  Other (please specify)

- (c) Please provide a short description of your activity:

*Annual Improvements to IFRSs 2012-2014 Cycle  
Invitation to Comment on EFRAG's Initial Assessments*

Automotive (manufacturer of premium cars and commercial vehicles) and Captive Financing

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(d) Country where you are located:

Germany

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(e) Contact details including e-mail address:

Gregor Hickel

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gregor.hickel@daimler.com

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2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

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*Annual Improvements to IFRSs 2012-2014 Cycle  
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Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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Do you agree with this assessment?

Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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*Annual Improvements to IFRSs 2012-2014 Cycle  
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Do you agree with this assessment?

Yes       No

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- 6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes       No

If yes, please provide your reasons.

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- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes       No

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- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Volkswagen AG

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- (b) Are you a:

Preparer  User  Other (please specify)

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- (c) Please provide a short description of your activity:

*Annual Improvements to IFRSs 2012-2014 Cycle  
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Volkswagen Group is one of the world's leading automobile manufacturers and the biggest carmaker in Europe.

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- (d) Country where you are located:

Germany

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- (e) Contact details including e-mail address:

Ingrun-Ulla Bartoelke, Head of group accounting

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Ingrun-ulla.bartoelke@volkswagen.de

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- (a) Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 3, 10, 20, and 23 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 5 and IAS 19 is that:

*Annual Improvements to IFRSs 2012-2014 Cycle  
Invitation to Comment on EFRAG's Initial Assessments*

- (a) *IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method:* Overall, EFRAG's initial assessment is that the Amendments to IFRS 5 are likely to result in both some insignificant one-off costs and ongoing costs for preparers while users are likely to incur only insignificant one-off costs; and
- (b) *IAS 19 Employee Benefits: Discount rate: Regional market issue:* Overall, EFRAG's initial assessment is that the Amendments to IAS 19 are likely to result in insignificant one-off and ongoing costs both for preparers and users.

Do you agree with this assessment?

Yes       No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 3, 16 and 28 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 5 and IAS 19 is that:

- (a) *IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method:* Overall, EFRAG's initial assessment is that both preparers and users are likely to benefit from the Amendments to IFRS 5 as they are likely to reduce the ongoing cost of both preparing and interpreting financial information when this type of change in plan occurs; and
- (b) *IAS 19 Employee Benefits: Discount rate: Regional market issue:* Overall, EFRAG's initial assessment is that users and preparers are likely to benefit from the Amendments to IAS 19 as the information resulting from them will reduce divergence in practice and increase comparability in applying current requirements in IAS 19.

Do you agree with this assessment?

Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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*Annual Improvements to IFRSs 2012-2014 Cycle  
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- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes       No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- 6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes       No

If yes, please provide your reasons.

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- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes       No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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