

May 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.

### May Publications

**Final Endorsement Advice**

EFRAG's Final Endorsement Advice on *Disclosure Initiative (Amendments to IAS 1)* was published on 19 May. For more details, please see the [EFRAG website](#).

**Draft Endorsement Advice**

A Draft Endorsement Advice letter and an Invitation to Comment, on the endorsement of IFRS 9 *Financial Instruments* for use in the European Union and European Economic Area, were published on 4 May.

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

A Draft Endorsement Advice letter and an Invitation to Comment, on the endorsement of *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)* for use in the European Union and European Economic Area, were published on 11 May.

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

**Final Comment letter**

EFRAG's Final Comment Letter, in response to the IASB Exposure Draft *Disclosure Initiative (Amendments to IAS 7)*, was published on 11 May.

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

**Draft Comment letter**

EFRAG's Draft Comment Letter, in response to the IASB Exposure Draft *Effective Date of IFRS 15 (Proposed amendments to IFRS 15)*, was published on 20 May.

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

### May 2015 meetings

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 8 May

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The EFRAG Board held a conference call on 8 May and approved the EFRAG Draft Endorsement Advice and invitation to comment on IASB Publication *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*.

### EFRAG Board – May written procedures

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

- EFRAG Final Comment Letter in response to the IASB Exposure Draft *Disclosure Initiative (Amendments to IAS 7)*;
- EFRAG Final Endorsement Advice to the European Commission on the IASB Publication *Disclosure Initiative (Amendments to IAS 1)*; and
- EFRAG Draft Comment Letter in response to the IASB Exposure Draft *Effective Date of IFRS 15 (Proposed amendments to IFRS 15)*.

### EFRAG Board – Expected June written procedures

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

- Final Comment Letter on IASB Exposure Draft *Classification of Liabilities (Amendments to IAS 1)*; and
- Final Comment Letter on IASB Exposure Draft *Effective Date of IFRS 15 (Proposed amendments to IFRS 15)*.

### EFRAG Technical Expert Group (TEG) – Meeting on 6 and 7 May

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The EFRAG Technical Expert Group met on 6 and 7 May and discussed the following:

- IASB Project *Conceptual Framework*;
- EFRAG Research Project *Statements of Cash Flows for Financial Institutions*;
- IFRS Interpretations Committee Project *IFRIC 14 and IAS 9: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Availability of refunds from a defined benefit plan managed by an independent trustee*;
- IFRS Interpretations Committee Project *Accounting for Uncertainties in Income Taxes*.
- EFRAG/OIC/ASBJ Joint Research Project *Accounting for Goodwill*;
- IFRS 15 *Revenue from Contracts with Customers*;
- IASB Publication *Disclosure Initiative (Amendments to IAS 1)*;
- IASB Research Project *Equity Method of Accounting*;
- IASB Project *Insurance Contracts*;
- IFRS Interpretations Committee Project *IAS 21: The Effects of Changes in Foreign Exchange Rates*; and
- IFRS Interpretations Committee Project *IAS 16: Property, Plant and Equipment — Proceeds from testing or otherwise*.

### IASB Project *Conceptual Framework*

EFRAG TEG members continued its discussion on how to distinguish between items that should be reported in profit or loss and items that should be reported in other comprehensive income.

EFRAG staff is preparing a contribution to the development of standard setting guidance for distinguishing between profit or loss and other comprehensive income items, building further on EFRAG's proactive effort on the role of the business model in financial reporting and past contributions by the UK FRC and the Japanese Standard Setter (ASBJ). During the meeting, EFRAG TEG members provided comments and input for a revised version of the contribution paper.

EFRAG TEG members also provided comments in relation to the forthcoming Exposure Draft *Conceptual Framework*.

No decisions were taken at the meeting.

### EFRAG Research Project *Statements of Cash Flows for Financial Institutions*

EFRAG staff presented a paper, which discussed claims that the statement of cash flows, in its present format, is not useful for financial institutions and which proposed possible amendments, including a fundamental rethink of the statement of cash flows as it applied to financial institutions. EFRAG TEG members discussed the paper and agreed that the statement of cash flows is not very useful, in isolation, for providing information about liquidity risks. EFRAG staff will revise the paper for discussion at a future meeting.

### IFRS Interpretations Committee Project *IFRIC 14 and IAS 9: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Availability of refunds from a defined benefit plan managed by an independent trustee*

EFRAG TEG members discussed an issues paper on the forthcoming narrow-scope amendments to IAS 19 and IFRIC 14. No decisions were taken at the meeting.

### IFRS Interpretations Committee Project *Accounting for Uncertainties in Income Taxes*

EFRAG TEG members discussed an issues paper on the forthcoming Draft Interpretation *Accounting for Uncertainties in Income Taxes*. EFRAG TEG members generally agreed with the IFRS Interpretations Committee's tentative decisions, but noted that the scope of the forthcoming Draft Interpretation was too narrow. EFRAG TEG members considered that taxes other than income taxes should also be addressed. No decisions were taken at the meeting.

### EFRAG/OIC/ASBJ Joint Research Project *Accounting for Goodwill*

EFRAG TEG members discussed two topics relating to the second phase of the joint Research Project on *Accounting for Goodwill*.

ASBJ Board member, Tomo Sekiguchi, presented a research paper discussing the different amortisation methodologies for goodwill. EFRAG TEG members discussed possible factors that could help an entity to define the amortisation period and provided a range of views to the Research Team. Many EFRAG TEG members considered that it was difficult to define, conceptually, an amortisation period, while other EFRAG TEG members considered that the amortisation period should be linked to the period over which the economic benefits of goodwill (as an asset) were consumed.

When discussing possible amortisation patterns, some EFRAG TEG members considered that, from a practical point of view, an ‘increasing amortisation’ method was an interesting approach, while other members considered that this approach would increase complexity without a significant improvement in the relevance of information.

EFRAG staff presented a paper on an alternative conceptual perspective to impairment testing. Some EFRAG TEG members supported the idea that incorporating some aspects of the actual post-acquisition performance could be useful to counteract over-optimistic estimations from management when making impairment tests, and encouraged the Research Team to further explore that possibility. Other EFRAG TEG members were concerned about the practical difficulties, especially when the acquired business is subsequently integrated into the acquirer’s operations, and highlighted that this had been a past UK GAAP approach that had not been deemed very successful.

The Research Team will continue to develop the project for discussion at a future meeting.

### IFRS 15 *Revenue from Contracts with Customers*

EFRAG TEG members discussed a paper on the forthcoming amendments to IFRS 15 *Revenue from Contracts with Customers* resulting from issues considered by the IASB/FASB Transition Resource Group. EFRAG TEG members generally agreed with the IASB’s plan to make certain clarifications to IFRS 15. No decisions were taken at the meeting.

### IASB Publication *Disclosure Initiative (Amendments to IAS 1)*

EFRAG TEG members considered the feedback received in response to EFRAG’s Draft Endorsement Advice. Constituents broadly supported EFRAG’s initial assessment that the amendments met the technical criteria for endorsement and that EFRAG should therefore recommend their endorsement. Considering the initial assessment and the responses received, EFRAG TEG members agreed to maintain the initial position and recommend a Final Endorsement Advice to the EFRAG Board supporting the adoption of the Amendments.

### IASB Research Project *Equity Method of Accounting*

EFRAG TEG members discussed the application issues that arise when the equity method of accounting under IAS 28 *Investments in Associates and Joint Ventures* is used. EFRAG TEG members agreed with the application issues identified by EFRAG staff, provided some additional examples and considered that the notion of significant influence was an important issue that needed to be addressed. Some EFRAG TEG members also thought that it was crucial to have a clear view of what the objective of the equity method of accounting is, before addressing the identified application issues. No decisions were taken at the meeting.

### IASB Project *Insurance Contracts*

EFRAG TEG members discussed potential accounting implications of intra-conglomerate transfers between financial assets under IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* if the IASB were to defer the effective date of IFRS 9 for insurers until the future standard on insurance contracts is implemented. EFRAG TEG members also discussed a preliminary quantitative assessment performed by the CFO Forum and Insurance Europe to justify a deferral of IFRS 9 for insurers. No decisions were taken at the meeting.

### IFRS Interpretations Committee Project IAS 21: *The Effects of Changes in Foreign Exchange Rates*

EFRAG TEG members discussed an issues paper on the tentative decisions taken by the IFRS Interpretations Committee on an issue relating to foreign currency transactions and advance consideration under IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

EFRAG TEG members asked EFRAG Staff to prepare examples that illustrate the issue, in cases where the foreign currency transaction was hedged by the entity, before expressing a position on the tentative decisions reached by the IFRS Interpretations Committee.

### IFRS Interpretations Committee Project IAS 16: *Property, Plant and Equipment — Proceeds from testing or otherwise*.

EFRAG TEG members discussed an issues paper on the IFRS Interpretations Committee discussion in regard to accounting for net proceeds resulting from testing an item of property, plant and equipment and provided preliminary views. No decisions were taken at the meeting.

## EFRAG Technical Expert Group (TEG) – Conference call on 19 May

### IASB Project *Conceptual Framework*

At its conference call on 19 May, EFRAG TEG members discussed a revised version of the paper that was discussed at the May meeting on how to distinguish between items to be reported in profit or loss and items to be reported in other comprehensive income. EFRAG TEG members highlighted a few areas where the paper could be improved and agreed to recommend that the EFRAG Board approve the paper for discussion at the next ASAF meeting.