

## INVITATION TO COMMENT ON EFRAG'S INITIAL ASSESSMENTS ON CLARIFICATIONS TO IFRS 15

Comments should be submitted by 17 June 2016 by using the 'Express your views' page on EFRAG website or by clicking [here](#)

EFRAG has been asked by the European Commission to provide it with advice and supporting material on *Clarifications to IFRS 15 Revenue from Contracts with Customers* ('the Clarifications'). In order to do so, EFRAG has been carrying out an assessment of the Clarifications 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 their implementation in the European Union (the EU) and European Economic Area.

A summary of the Clarifications is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Clarifications.

Before finalising its assessment, 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 interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

**EFRAG's initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Clarifications.**

### Your details

1 Please provide the following details:

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

Evonik Industries AG

- (b) Are you a:

Preparer  User  Other (please specify)

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

International specialty chemicals company

- (d) Country where you are located:

Germany

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

Mr. Lothar Demant, lothar.demant@evonik.com

**EFRAG's initial assessment with respect to the technical criteria for endorsement**

2 EFRAG's initial assessment of the Clarifications is that they meet the technical criteria for endorsement. In other words, the Clarifications are not contrary to the principle of true and fair view; meet the criteria of understandability, relevance, reliability and comparability; and do not affect prudence. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Clarifications.

(a) Do you agree with this assessment?

Yes     No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Clarifications that you believe EFRAG should take into account in its technical evaluation of the Clarifications? If there are, what are those issues and why do you believe they are relevant to the evaluation?

**The European public good**

3 In its assessment of the impact of the Clarifications on the European public good, EFRAG has considered issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Clarifications.

*Improvement in financial reporting*

4 EFRAG has identified that in assessing whether the endorsement of the Clarifications is conducive to the European public good, it should consider whether the Clarifications are an improvement over current requirements across the areas which have been subject to changes (see Appendix 3, paragraphs 3 to 7). To summarise, EFRAG's initial assessment is that the Clarifications are likely to improve the quality of financial reporting.

Do you agree with this assessment?

Yes     No

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

*Costs and benefits*

5 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Clarifications 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.

*Clarifications to IFRS 15*  
*Invitation to Comment on EFRAG's Initial Assessments*

The results of the initial assessment of costs are set out in paragraphs 9 to 18 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Clarifications. To summarise, EFRAG's initial assessment is that the Clarifications will not result in a significant increase in costs for preparers or 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?

The implementation of IFRS15 causes external project costs (one-time costs) in a range of about 1 to 2 million € and numerous internal costs. Additional significant charges will arise from the current application of IFRS15, for example induced by the increased data management, the assessment of contracts (5-steps-approach) and the change from the risk and reward approach to the control approach.

- 6 In addition, EFRAG is assessing the benefits that are likely to be derived from the Clarifications. The results of the initial assessment of benefits are set out in paragraphs 19 to 22 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Clarifications. To summarise, EFRAG's initial assessment is that both users and preparers are likely to benefit from the Clarifications, as they will result in the provision of relevant and understandable information.

Do you agree with this assessment?

Yes     No

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

After comprehensive examination of IFRS15 we had to find out that there is no material impact on our financial statements. On the basis of several discussions we believe IFRS15 has significant impact only on some very few industrial sectors.

- 7 EFRAG's initial assessment is that the benefits to be derived from implementing the Clarifications in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 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 could affect EFRAG's endorsement advice?

We do not agree with this assessment (see answers to paragraphs 5 and 6 above) and believe the main reason for IFRS15 – the assessment of possible multi-element-arrangements – could have been implemented in the old Standards (IAS11, IAS18) with less efforts for all preparers.

*Other factors*

- 8 Do you agree that there are no other factors to consider in assessing whether the endorsement of the Clarifications is conducive to the European public good?

Yes     No

*Clarifications to IFRS 15  
Invitation to Comment on EFRAG's Initial Assessments*

If you do not agree, please identify the factors, provide your views on these factors and indicate how this could affect EFRAG's endorsement advice?

*Overall assessment with respect to the European public good*

- 9 EFRAG has initially concluded that endorsement of the Clarifications would be conducive to the European public good (see Appendix 3, paragraph 28).

Do you agree with this conclusion?

Yes     No

If you do not agree, please explain your reasons.