

EFRAG STAFF PAPER FOR PUBLIC MEETING

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IFRS 15 endorsement advice Agreement of final drafting

Objective

The objective of the session is to finalise EFRAG Endorsement Advice letter to the European Commission, agreeing its final content related to EFRAG's considerations and conclusion that IFRS 15 should be adopted in the EU with the effective date as determined by the IASB.

SENTENCE TO INCLUDE IN THE COVER LETTER

As part of its assessment EFRAG considered whether IFRS 15 should be endorsed with the 1 January 2017 effective date included in IFRS 15. 'Appendix 4 – Recommendation on the effective date' provides the reasons why EFRAG decided that it was appropriate to do so.

APPENDIX 4

RECOMMENDATION ON THE EFFECTIVE DATE

- 1 When issuing its Draft Endorsement Advice, in response to concerns expressed by some ARC members, EFRAG consulted on the effective date. When commenting on the Exposure Draft that resulted in IFRS 15, EFRAG expressed the view based on the results of its public consultation that a full three years period after the Standard was issued was necessary to achieve proper implementation. Publication of the final Standard in May 2014 (instead of mid-2013 as expected) reduced the time available for implementation to less than three years. Having regard to the final transition requirements that are meant to ease implementation of the standard, constituents were asked whether it would be possible to apply IFRS 15 by 1 January 2017.
- 2 The responses EFRAG received indicated that most entities would be able to apply the Standard by 1 January 2017, but that it would be difficult for some entities.
- 3 The EFRAG Board considered the following additional factors:
 - Against deferral of the effective date
 - (a) A deferral of the effective date would harm comparability within Europe as some companies would still implement the standard early whilst others would be able to defer for another year.

- (b) Having different effective dates for IFRS 15 as endorsed in the EU and IFRS 15 as issued by the IASB would affect comparability with companies outside Europe
- (c) Many companies had already started their work on implementing the new Standard with a 2017 date in mind. Very few European companies have raised concerns with EFRAG. Continuing these efforts provides a better opportunity for any implementation issues to emerge earlier than would be the case if implementation were to be delayed and gives Europe an opportunity to raise any such issues with the IASB and obtain a resolution which suits European needs.

For deferral of the effective date

- (d) As noted above several European companies have raised concerns with EFRAG about the tight timetable, explaining the pervasive changes they have to make to their information systems. Applying IFRS 15 as of January 2017 might harm the quality of their financial reporting;
 - (e) The IASB may in the short-term issue minor amendments to IFRS 15 (or other types of clarifications) to help implementation. Indeed the IASB have already tentatively decided to make several amendments, and are likely to issue an exposure draft in June or July 2015. Whilst the amendments to date only affect companies with royalties and license income this development further reduces the time for implementation for such companies.
- 4 Having taken into account all these different factors, EFRAG has concluded to recommend that IFRS 15 is adopted with an effective date of 1 January 2017
 - 5 EFRAG will continue to monitor developments at the IASB, and alert the European Commission if additional considerations arise before the endorsement decision is taken.