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Annual Improvements to IFRS Accounting Standards—Volume 11

Cover Note

Objective

- 1 The objectives of the session are to:
 - (a) discuss and recommend to the EFRAG FRB a Draft Endorsement Advice ('DEA') on the IASB's Annual Improvements to IFRS Accounting Standards—Volume 11 ('the Amendments'); and
 - (b) Agree with the proposed endorsement timetable summarised in paragraph 12.

Background of the IASB project

- 2 On 18 July 2024 the IASB issued the Annual Improvements to IFRS Accounting Standards—Volume 11 ('the Amendments'). An Exposure Draft of the Amendments had been issued on 12 September 2023 ('the ED'). EFRAG provided its comment letter on that ED on 8 December 2023.
- 3 The objective of the Amendments is to provide limited changes that either clarify the wording in the amended IFRS Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements of the IFRS Accounting Standards. The following IFRS Accounting Standards and accompanying guidance will be affected by the Amendments:
 - (a) IFRS 1 *First-time Adoption of International Financial Reporting Standards* - hedge accounting by a first-time adopter;
 - (b) IFRS 7 *Financial Instruments: Disclosures* - gain or loss on derecognition;
 - (c) *Guidance on implementing IFRS 7*:
 - (i) Introduction;
 - (ii) Disclosure of deferred difference between fair value and transaction price;
 - (iii) Credit risk disclosures;
 - (d) IFRS 9 *Financial Instruments*:
 - (i) Derecognition of lease liabilities;

- (ii) Transaction price;
 - (e) IFRS 10 *Consolidated Financial Statements* - determination of a 'de facto agent'; and
 - (f) IAS 7 *Statement of Cash Flows* - cost method.
- 4 The Amendments shall be applied for annual periods beginning on or after 1 January 2026, with earlier application permitted. If entities apply the Amendments earlier, they shall disclose that fact. Further, the amendment to IFRS 9 related to the derecognition of lease liabilities shall be applied to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment (i.e., prospective application). All the other amendments shall be applied retrospectively.

Summary of previous discussions and EFRAG's comment letter

- 5 In December 2023 EFRAG issued its final comment letter in response to the ED in which it:
- (a) welcomed the package of the annual improvements included in the ED, which mainly consisted of limited changes that either clarify the wording in an IFRS Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements of the IFRS Accounting Standards.
 - (b) agreed with the majority of the proposed amendments and considered that they would help to improve consistent application and understandability of the IFRS Accounting Standards.
- 6 However, EFRAG recommended the IASB clarify the interaction between IFRS 9 and IFRS 16 as part of a narrow-scope standard-setting project and did not recommend amending paragraph 2.1(b)(ii) of IFRS 9 as part of the Annual Improvements – Volume 11.
- 7 Furthermore, regarding the proposed amendment to IFRS 10 on de facto agents, EFRAG recommended the IASB to reconsider whether a look-up approach (i.e., including those that direct the activities of the investor) could ever be used for assessing if a party is a de facto agent for the purposes of the entity's consolidated financial statements.
- 8 For further details please consult to the final comment letter [here](#).

Draft endorsement advice and proposed timetable

- 9 Based on the feedback collected during the ED consultation phase, the EFRAG Secretariat has prepared a Draft Endorsement Advice ('DEA') and invitation to comment which are contained in agenda papers 09-02 and 09-03, respectively.
- 10 Under the agreement with the IASB to use their copyrighted material, the Amendments are published to EFRAG's website ([here](#)) during the time necessary for EFRAG to complete its endorsement advice work. The Amendments will be removed from EFRAG's website when the EC will publish the regulation adopting the Amendments in the EU Official Journal.
- 11 On 20 August 2024 EFRAG received from the European Commission the request for the endorsement advice on the Amendments.

- 12 Consistently with the EFRAG FRB projects prioritisation discussed so far¹ the EFRAG Secretariat proposes the following timetable in order to complete the endorsement process by the end of November 2024:

EFRAG FR TEG approval of DEA to recommend to the EFRAG FRB	13 September 2024
Written consultation of EFRAG FRB on the DEA	14-25 September 2024
Public consultation on DEA	27 September to 25 October 2024 (around 30 days)
EFRAG FR TEG approval of Final Endorsement Advice (FEA) to recommend to the EFRAG FRB	5 November 2024
EFRAG FRB written approval of the FEA (Alternatively, discussion of the topic in the EFRAG FRB meeting on 14-15 November 2024)	14 November 2024
Publication of the Final Endorsement Advice	Week of 18 November 2024

Questions for EFRAG FR TEG

- 13 Does EFRAG FR TEG agree to recommend the Draft Endorsement Advice (contained in agenda paper 09-02) and Invitation to Comment (contained in agenda paper 09-03) for approval by the EFRAG FRB?
- 14 Does EFRAG FR TEG agree with the proposed timetable summarised in paragraph 12 above?

Next steps

- 15 The EFRAG Secretariat to require the DEA written approval to the EFRAG FRB and to publish the DEA for public consultation.

Agenda Papers

- 16 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 09-02 – Annual Improvements Vol 11 - DEA - Letter to the EC; and
 - (b) Agenda paper 09 -03 – Annual Improvements Vol 11 - DEA - Invitation to comment.

¹ The Annual Improvements project has been assessed “not significant” by the EFRAG FRB in September 2023.