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Annual Improvements to IFRS Accounting Standards—Volume 11

Cover Note

Objective

- 1 The objectives of the session are to:
 - (a) consider the comments received in response to EFRAG’s Invitation to Comment on its draft endorsement advice on the IASB’s Annual Improvements to IFRS Accounting Standards—Volume 11 (‘the Amendments’); and
 - (b) discuss and agree to recommend to the EFRAG FRB a final endorsement advice (‘FEA’) contained in the agenda paper 05-02.

Background of the IASB project

- 2 The Amendments were issued on 18 July 2024 and aimed to provide limited changes that either clarify the wording in the amended IFRS Accounting Standard¹ or correct relatively minor unintended consequences, oversights or conflicts between the requirements of the IFRS Accounting Standards.
- 3 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.
- 4 The European Commission issued a letter requesting advice on the endorsement of the Amendments in August 2024 ([here](#)). The letter contains a standard request for advice on the endorsement that does not identify specific issues or areas to investigate.
- 5 EFRAG issued its [Draft Endorsement Advice](#) (‘DEA’) on 9 October 2024, which was open for consultation until 22 November 2024. In the letter, EFRAG’s preliminary assessment was that the Amendments satisfied the criteria for endorsement for use in the EU and, although

¹ The amended IFRS Accounting standards are the following: IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements* and IAS 7 *Statement of Cash Flows*.

they may not eliminate all sources of diversity in practice arising from the interaction between IFRS 9 Financial Instruments and IFRS 16 Leases in case of a lessor forgiveness of lease payments, EFRAG assessed that, overall, their endorsement was conducive to the European public good.

- 6 Of note, during the EFRAG FR TEG discussion of the DEA one EFRAG FR TEG member expressed a dissenting opinion. At its 8 October meeting, EFRAG FRB approved the DEA as recommended by the EFRAG FR TEG for exposure including a question to constituents reflecting the dissenting opinion.

Summary of comments received on the Draft Endorsement Advice

- 7 On 9 October EFRAG invited constituents to provide their feedback on the Draft Endorsement Advice. Furthermore, a reminder was sent out on 18 November. The comment period ended on 22 November.
- 8 EFRAG received one comment letter from a national standard setter as further detailed in the Appendix I. In addition, we have been informed by another national standard setter that its non-reply implies the absence of objections or concerns.
- 9 Given the positive feedback gathered from constituents, albeit limited, the EFRAG Secretariat suggests no changes to the assessment in EFRAG’s Final Endorsement Advice, except for the following limited changes:
 - (a) the addition, in the first page of the cover letter to the European Commission, of the standard paragraph how EFRAG has consulted on its draft endorsement advice (see mark-up in 05-03);
 - (b) Removing references to ‘initial’ assessments or ‘draft’ letter to the EC wherever relevant; and
 - (c) Removing the note to constituents at the beginning of Appendix 2.

Questions for EFRAG FR TEG

- 10 Does EFRAG FR TEG agree to recommend the Final Endorsement Advice contained in agenda paper 05-02 to EFRAG FRB?

Next steps

- 11 The EFRAG Secretariat to ask for EFRAG FRB approval of the FEA as recommended by EFRAG FR TEG at the forthcoming meeting in December.

Agenda Papers

- 12 In addition to this cover note, the following agenda papers have been provided for the session for this session:
 - (a) Agenda paper 05-02 – Annual Improvements Vol 11 - FEA - Letter to the EC (clean version); and
 - (b) Agenda paper 05-03 – Annual Improvements Vol 11 - FEA - Letter to the EC (with mark-up).

Appendix I - List of respondents

No	Respondent	Country	Type of respondent
CL01	NASB	Norway	Standard Setter