



EFRAG UPDATE

DECEMBER 2018

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.

PUBLICATIONS

Draft Endorsement Advice

On 12 December, EFRAG issued a draft endorsement advice letter and a separate invitation to comment relating to the endorsement for use in the EU of *Definition of Material (Amendments to IAS 1 and IAS 8)*. Comments are requested by 1 February 2019. For more details, please see the [EFRAG website](#).

Summaries of Outreach Events - Financial Instruments with Characteristics of Equity

On 13 December, EFRAG and the Accounting Standards Committee of Germany published a summary report on the joint outreach event held in Frankfurt on 20 November 2018. For more details, please see the [EFRAG website](#).

On 19 December, EFRAG and the UK Financial Reporting Council published a summary report on the joint outreach event held in London on 4 December 2018. For more details, please see the [EFRAG website](#).

On 20 December:

- EFRAG and FSR - Danish Auditors published a summary report on the joint outreach event held in Copenhagen on 23 November 2018. For more details, please see the [EFRAG website](#).
- EFRAG, in collaboration with EFFAS, ABAF-BVFA and the IASB, published a summary report on the joint outreach event held in Brussels on 26 November 2018. For more details, please see the [EFRAG website](#).
- EFRAG, the DASB and Eumedion published a summary report on the joint outreach event held in Amsterdam on 20 November 2018. For more details, please see the [EFRAG website](#).

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG's Draft Endorsement Advice on <i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>	1 February 2019
EFRAG's Discussion Paper <i>Non-exchange Transfers</i>	30 April 2019

For more information please see [EFRAG's consultations page](#).



EFRAG BOARD

Meeting

The EFRAG Board met on [18 December](#) and discussed the following topics:

IFRS 17 *Insurance Contracts*

The EFRAG Board decided to invite a representative of EIOPA to present their recent report on IFRS 17 and financial stability at a future meeting. The EFRAG Board also confirmed that a draft endorsement advice would be published for public consultation only once the Standard is stable.

In preparation for the IASB's expected ED and the draft endorsement advice, the EFRAG Board decided to request EFRAG IAWG and EFRAG TEG to continue analysing IFRS 17 from a technical perspective with a particular focus on the six matters EFRAG identified as meriting further consideration; and to pursue other activities including active monitoring of developments at the IASB.

IASB Research *Project Goodwill and impairment*

The EFRAG Board considered developments in the IASB's project and asked the EFRAG Secretariat to provide updates as the project develops.

Update of work plan, review of EFRAG research program and other matters

The EFRAG Board approved the technical work plan subject to including regular updates on the IFRS 17 project.

December 2018 written procedures

The EFRAG Board approved the following document, using written procedures in December:

- EFRAG's Draft Endorsement Advice on *Definition of Material (Amendments to IAS 1 and IAS 8)*.

Expected January 2019 written procedures

The EFRAG Board is expected to approve the following documents, using written procedures in January 2019:

- EFRAG's Draft Endorsement Advice on the IASB's Publication *Definition of a Business (Amendments to IFRS 3)*.
- EFRAG's Draft Comment Letter on the IASB's Exposure Draft ED/2018/2 *Onerous Contracts - Cost of Fulfilling a Contract (Proposed amendments to IAS 37)*



EFRAG BOARD AND EFRAG TEG (JOINTLY)

Meeting

The EFRAG Board and EFRAG TEG jointly met on [19 December](#) and discussed the following topics:

IASB Project *Primary Financial Statements*

EFRAG Board and EFRAG TEG members received an update on the IASB project and the preliminary views provided by EFRAG CFSS and EFRAG TEG members in a previous meeting.

Members generally agreed on the need for the IASB to improve the structure and content of the financial statements. However mixed views were expressed on the IASB's tentative decisions so far and it was suggested that the best way forward would be a Discussion Paper rather than an Exposure Draft. These mixed views related, amongst others, to the appropriateness of applying particular subtotals to conglomerates and use of management performance measures.

No decisions were taken at the meeting.

IASB Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity*

The EFRAG Board and EFRAG TEG discussed the feedback received from outreach activities and EFRAG's draft comment letter consultation. Members also discussed the key findings from EFRAG's early stage impact assessment.

Many members acknowledged the challenges with current IAS 32 *Financial Instruments: Presentation* and the need for improvement. However, members noted that most constituents had expressed either disagreement with or only limited support for the IASB's preferred approach. Members also observed that, while some constituents have called for a comprehensive review of the concepts to distinguish debt and equity, no consensus has emerged on the right approach.

No decisions were taken at the meeting.

IASB Project *Disclosure Initiative – Targeted Standards-level Review of Disclosures*

The EFRAG Board and EFRAG TEG received an update on the project and discussed EFRAG's future activities. Members generally considered that EFRAG should continue actively monitoring the project and providing input to the IASB through the normal channels and in due time to help with the development, testing and application of the guidance. Members also considered it important to consider the interactions and consistency of the decisions made on this project with other IASB's ongoing projects where new or additional disclosures are being contemplated.

No decisions were taken at the meeting.

EFRAG Research Project *Equity Instruments – Research on Measurement*

The EFRAG Board and EFRAG TEG discussed the status of the project and the next steps to move toward the publication of a consultation document, taking into consideration the external deadline to respond to the European Commission's request for technical advice.



No decisions were taken at the meeting.

EFRAG TEG

Meeting

EFRAG TEG met on [20 December](#) and discussed the following topics:

IASB Publication *Definition of a Business (Amendments to IFRS 3)*

EFRAG TEG members present unanimously agreed to recommend to the EFRAG Board for approval a draft endorsement advice supporting the Amendments to IFRS 3 and an invitation to comment.

IASB Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity*

EFRAG TEG discussed the overall direction of EFRAG's comment letter on the IASB Discussion Paper *Financial Instruments with Characteristics of Equity*. Considering that respondents to EFRAG draft comment letter and participants in the outreach events had expressed either disagreement with or only limited support for the IASB's preferred approach, EFRAG TEG considered suggesting identifying potential targeted improvements to IAS 32 *Financial Instruments: Presentation* rather than supporting the proposed classification principles.

No decisions were taken at the meeting. A revised draft of the final comment letter will be considered in the January 2019 EFRAG TEG meeting.

IASB Exposure Draft ED/2018/2 *Onerous Contracts - Cost of Fulfilling a Contract - Proposed amendments to IAS 37*

EFRAG TEG discussed the initial draft of the draft comment letter on the IASB's Exposure Draft. EFRAG TEG suggested that the draft comment should refer to the scope of the Exposure Draft given that IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* applies to a wider range of contracts than those previously within the scope of IAS 11 *Construction Contracts*. EFRAG TEG also noted that the sequence of applying impairment requirements or inventory write-downs and the proposed guidance was not clear. EFRAG TEG also suggested noting the inconsistencies in IFRS Standards in the usage of the term 'directly attributable'. Members also considered that it was important to further analyse the implications of the proposed amendments.

No decisions were taken at the meeting. A revised draft of the draft comment letter will be considered in the January 2019 EFRAG TEG meeting.

EFRAG Research *Project Equity Instruments – Research on Measurement*

EFRAG TEG was presented with an initial draft of a consultation document and was asked to provide input on its content, in particular regarding alternative measurement bases, their significance and how they measure up to the characteristics in the Conceptual Framework. EFRAG TEG members provided several suggestions as to the content and also noted that the objective at this stage is to obtain feedback from constituents not to express a tentative position.



No decisions were taken at the meeting. A revised draft of a consultation document will be considered in the January 2019 EFRAG TEG meeting.