



EFRAG UPDATE

JUNE 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.

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG's draft comment letter on the IASB's ED/2018/1 <i>Accounting Policy Changes (Proposed amendments to IAS 8)</i>	13 July 2018

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

EFRAG BOARD

June 2018 written procedures

The EFRAG Board did not approve any documents using written procedures in June.

Expected July 2018 written procedures

The EFRAG Board is not expected to approve any documents using written procedures in July.

EFRAG TECHNICAL EXPERT GROUP (TEG)

Meeting

EFRAG TEG met on [13-14 June](#) and discussed the following topics:

IFRS 17 *Insurance Contracts*

EFRAG TEG members discussed updated versions of Appendices I and II of the draft endorsement advice on IFRS 17 *Insurance Contracts*. In addition, EFRAG TEG members were informed about the results of quantitative research of the EFRAG Secretariat on the use of reinsurance in Europe.

No decisions were taken at the meeting.

IASB Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests*

EFRAG TEG discussed the forthcoming final amendments. Members expressed support for the optional screening test and the other clarifications and forthcoming amendments. EFRAG TEG agreed that, when developing the draft endorsement advice, it would give prominence to



the characteristics of the screening test and the role of acquired contracts in the context of identifying a substantive process.

No decisions were taken at the meeting.

IASB Project *Rate-regulated Activities*

EFRAG TEG considered practical examples of activities subject to some form of price- or rate-setting mechanism to assess the implications of the IASB staff's analysis of whether certain regulatory price adjustments meet the definition of assets and liabilities in the IASB's *Conceptual Framework*. Members expressed concerns that the IASB staff's analysis could affect current practice in situations that do not meet the description of defined rate regulation but involve some form of price adjustment. Members emphasised the importance of clarity in the scoping and the need to consider which characteristics of a price adjustment are determinative in meeting the asset-liability definitions.

No decisions were taken at the meeting.

IASB Research Project *Business Combinations under Common Control (BCUCC)*

EFRAG TEG considered examples on BCUCC to assess which method of accounting would provide the most useful information. Members generally agreed that an acquisition method of accounting provided the most relevant information about a particular transaction where non-controlling interest was affected by the transfer. In three other examples without non-controlling interests, EFRAG TEG generally agreed that a predecessor method would result in more relevant information, while acknowledging that different approaches to predecessor accounting can be observed in practice.

No decisions were taken at the meeting.

IASB Research Project *Primary Financial Statements*

EFRAG TEG discussed the recent developments in the IASB's research project.

EFRAG TEG members emphasised the importance of management performance measures (MPMs) on financial reporting and the need for more guidance on their use within the financial statements. However, some members referred to the risk of management presenting MPMs, which may be not aligned with the entity's accounting policies, with more prominence. In addition, some EFRAG TEG members emphasised the practical challenges of providing disclosures about the effect of tax and non-controlling interest for the purpose of adjusted earnings per share calculations.

Finally, EFRAG TEG members considered that it was important to address the disaggregation issue. They also highlighted the importance of having detailed information on expenses by nature when an entity presents its expenses by function on the face of the financial statements.

No decisions were taken at the meeting.

EFRAG Research Project *Equity Instruments – Impairment and Recycling*

EFRAG TEG discussed whether the input from constituents provided sufficient support for proposing an immediate change to IFRS 9. Some members considered that the input had not made a sufficient case to advocate change, and case for change would require more evidence about the impact of the new requirements. These members also noted that no satisfactory impairment solution had been yet identified.



Some other members confirmed their support for the reintroduction of recycling with an impairment model and noted that there was support from the majority of respondents for this position.

No decisions were taken at the meeting. EFRAG TEG will discuss a draft technical advice at its July meeting.

EFRAG Research Project *Transactions other than Exchanges of Equal Value (ToEEV)*

EFRAG TEG discussed a revised draft of the forthcoming Discussion Paper.

Members generally reiterated their support for the proposed approach and made a number of suggestions to improve the document, in particular regarding the scope description and the illustrative examples.

No decisions were taken at the meeting.

EFRAG Research Project *Pension Plans*

EFRAG TEG received an update of the status of the project and considered an illustration of the different approaches. It was agreed that the forthcoming Discussion Paper should not include too many alternative scenarios but should include a description of the implication of changing the scenario assumptions (for instance, when the ratio of benefits in the plan formula to the return on the assets held is not one-to-one).

No decisions were taken at the meeting.