



European Financial Reporting Advisory Group ■

Annual Improvements 2012 – 2014 Cycle

Feedback to constituents – EFRAG Final Comment Letter

April 2014

Introduction

Objective of this feedback statement

EFRAG published its final comment letter on the Exposure Draft ED/2013/11 *Annual Improvements to IFRSs 2012-2014 Cycle* ('the ED') on 12 March 2014. This feedback statement summarises the main comments received by EFRAG on its draft comment letter and explains how those comments were considered by the EFRAG Technical Expert Group (EFRAG TEG) during its technical discussions leading to the publication of EFRAG's final comment letter.

Background to the Exposure Draft

The IASB's Annual Improvements Project considers amendments to IFRSs that are narrow in scope in areas that need clarifying or correcting. The amendments are not supposed to propose new principles or changes existing principles.

On 12 December 2013, the IASB published for public comment an exposure draft containing five proposed amendments to four International Financial Reporting Standards (IFRSs). The proposed amendments reflect issues discussed by the IASB in the project cycle that began in 2012. The proposed amendments are listed below:

- IFRS 5 *Non-current Assets held for Sale and Discontinued Operations*: change of disposal method;
- IFRS 7 *Financial Instruments- Disclosures*: servicing contracts;
- IFRS 7 *Financial Instruments-Disclosure*: applicability of the amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements;
- IAS 19 *Employee Benefits*: discount rate: regional market issue; and

- IAS 34 *Interim Financial Reporting*: disclosure of information 'elsewhere in the interim financial report'.

Further details are available on the EFRAG [website](#).

EFRAG's draft comment letter

EFRAG published a [draft comment letter](#) on the proposals on 8 January 2014. In the draft comment letter EFRAG tentatively agreed with most proposals in the Exposure Draft and with the objectives they are trying to achieve but it was concerned about the proposed amendments to IAS 19 *Employee Benefits*.

While supporting the IASB's intention to develop in the short-term guidance dealing with countries where a high-quality corporate bond market does not exist and that use the same currency as other countries, EFRAG identified a number of implementation issues.

Therefore, EFRAG believed that the IASB should explain, before finalising these amendments, the rationale in selecting and using a discount rate to measure post-employment benefit obligations so that constituents can exercise their judgement in applying the requirements in paragraph 83 of IAS 19.

Finally, EFRAG asked whether constituents believe there are other circumstances where these amendments to IAS 19 will not result in meaningful outcomes and if they support the retrospective application that the IASB is proposing.

Comments received from constituents

Six comment letters were received from constituents and considered by EFRAG TEG in its discussions. These comment letters are available on the EFRAG [website](#).

The comment letters received came from national standard-setters.

The respondents, similar to EFRAG, agreed with most of the proposed amendments included in the IASB's exposure draft. However, the majority of them – like EFRAG – was concerned about the proposed amendments to IAS 19 *Employee Benefits*.

Constituents also raised a number of minor concerns on the other topics covered by the remainder amendments.

EFRAG's final comment letter

EFRAG issued its final comment letter on 12 March 2014. In its final comment letter, EFRAG was still broadly supportive of the IASB's proposals in the exposure draft but it reiterated its concerns on the proposed amendments to IAS 19.

Considering that constituents had not raised significant new concerns on the other proposed amendments, those amendments are not described in detail in this feedback statement. Nonetheless, EFRAG did amend the drafting of its letter to incorporate those comments and suggestions on the other proposals in the IASB's exposure draft.

The main differences between the comments made on the proposed amendments to IAS 19 in the draft comment letter and the (final) comment letter are explained in the section below '*Detailed analysis of the main issues, comments received and changes made to EFRAG final comment letter*'.

EFRAG's draft comment letter included questions to constituents on the proposed amendments to IAS 19. EFRAG considered constituents' feedback in forming EFRAG's final position on these proposals.

Detailed analysis of the main issues, comments received and changes made to EFRAG final comment letter

Issue 4: IAS 19 *Employee Benefits*: discount rate: regional market issue

Summary of EFRAG's tentative position in its draft comment letter

The IASB was asked to clarify the requirements of IAS 19 *Employee Benefits* to determine the discount rate in a regional market sharing the same currency (e.g. Eurozone).

EFRAG supported the IASB's intention to develop guidance dealing with countries where a high-quality corporate bond market does not exist and that use the same currency as other countries. However, it believed that the IASB – before finalising these proposals – should clarify the objectives underlying the selection and use of a discount rate in measuring post-employment benefit obligations.

In addition, EFRAG noted a number of circumstances in which it is unclear if the proposals would result in an outcome that is consistent with the objectives the IASB is trying to achieve and therefore recommended the IASB to determine what an entity should do in those circumstances.

Finally, EFRAG asked its constituents whether they believed there are other circumstances where these amendments to IAS 19 will not result in meaningful outcomes and if they supported the retrospective application that the IASB is proposing.

Constituents' comments

The majority of respondents were supporting the IASB's intention to provide this short-term clarification. However, they were also concerned that these amendments could not result in meaningful outcomes in a

Summary of the final position arrived at

In its final comment letter EFRAG maintained the concerns it had expressed on a preliminary basis as they were shared by most constituents. It also reflected additional circumstances identified by its constituents in which the proposals would not result in a meaningful outcome.

Furthermore, EFRAG concurred with its constituents that the IASB should not consider aspects which are only relevant in a specific jurisdiction in its standard-setting process; therefore it removed from the comment letter its tentative recommendation to the IASB to consider this type of aspects in finalising these amendments.

Finally EFRAG confirmed its support for the IASB's proposals to apply these amendments retrospectively, noting that most constituents agreed with its preliminary view.

Overall, EFRAG remained supportive of the IASB's intention to issue short-term guidance dealing with countries where a high-quality corporate bond market does not exist and that use the same currency as other countries – pending the outcome of its research project on discount rates.

However, EFRAG reiterated its recommendations to the IASB to clarify the objectives and the rationale underlying the selection and use of a discount rate in measuring post-employment benefit obligations before finalising these proposals.

In EFRAG's view, only by clarifying these objectives, entities could

number of circumstances that they described in their comment letter.

Two constituents believed that the IASB should not consider aspects which are only relevant in a specific jurisdiction in its standard-setting process; therefore they believed that such recommendation in EFRAG's draft comment letter should be removed.

Finally, the majority of constituents supported the retrospective application of these amendments.

exercise judgment in addressing the implementation issues that could arise in applying this short-term guidance.

List of respondents

National Standard Setters

Accounting Standards Committee of Germany (ASCG)

Dutch Accounting Standards Board (DASB)

Instituto de Contabilidad y Auditoría de Cuentas (ICAC)

Financial Reporting Council (FRC)

Norwegian Accounting Standards Board (NASB)

Organismo Italiano di Contabilita' (OIC)