

## Summary of EFRAG meeting held in May 2012

From 9 to 11 May 2012, EFRAG held its monthly meeting. The following topics were discussed during the meeting:

- IASB Exposure Draft *Revenue from Contracts with Customers* – Discussion of feedback statement
- IASB Project *Targeted Improvements to IFRS 9*
- IASB Project *Annual Improvements to IFRSs 2010 – 2012 Cycle*
- *Applying the requirements of IFRS 10 Consolidated Financial Statements* to SPEs – Supplementary Study for the European Commission
- ESMA Consultation Paper *Considerations of materiality in financial reporting* – Discussion of feedback statement
- EFRAG Proactive Project *Disclosure Framework for the Notes to the Financial Statements*
- EFRAG Proactive Project *Considering the Effects of Accounting Standards*
- EFRAG Proactive Project *The Role of Business Model in Financial Reporting*

### **IASB Exposure Draft *Revenue from Contracts with Customers* - Discussion of feedback statement**

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At its March and April 2012 meetings, EFRAG considered the comment letters received from constituents in response to its draft comment letter and approved its final comment letter. EFRAG agreed that it would provide a feedback statement to constituents discussing how their comments had been considered by EFRAG.

At its May 2012 meeting, EFRAG discussed the structure and content of the initial draft for a feedback statement on its comment letter in response to the IASB ED *Revenue from Contracts with Customers* presented by EFRAG staff. During the meeting a number of comments and suggestions were made on the structure and content of such feedback statement. EFRAG staff will present a revised version of the draft feedback statement at a forthcoming meeting.

### **IASB Project *Targeted Improvements to IFRS 9***

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At its May 2012 meeting, EFRAG discussed the consequences of the IASB decisions regarding bifurcation and the IFRS 9 ‘solely payments of principal and interest’ criterion on several financial instruments. IASB staff provided a number of clarifications about the IASB’s approach. The discussion focused on those products for which constituents believed that the

absence of bifurcation would result in fair measurement where that would not necessarily be the most appropriate accounting treatment.

## ***IASB Project Annual Improvements to IFRSs 2010 - 2012 Cycle***

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At its May 2012 meeting, EFRAG discussed its draft comment letter on the Exposure Draft *Improvements to IFRSs 2010-2012*. EFRAG tentatively supported most of the proposed amendments. The draft comment letter is expected to be finalised at a conference call on 6 June 2012.

## ***Applying the requirements of IFRS 10 Consolidated Financial Statements to SPEs - Supplementary Study for the European Commission***

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EFRAG staff provided a detailed update on its findings from the study on the application of IFRS 10 to SPEs. The study was undertaken at the request of the European Commission. EFRAG's report to the European Commission will be made publicly available early June 2012.

## ***ESMA Consultation Paper Considerations of materiality in financial reporting - Discussion of feedback statement***

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At its May 2012 meeting, EFRAG considered providing a feedback statement on the comments received from its constituents. However, as constituents provided broad support for EFRAG's original position in the draft comment letter, EFRAG decided it was not necessary to publish a feedback statement on this topic.

## ***EFRAG Proactive Project Disclosure Framework for the Notes to the Financial Statements***

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EFRAG staff presented two agenda papers to discuss updated alternative approaches to applying the Framework and the role of risk within the Framework.

EFRAG raised a concern that the way requirements are written influences the behaviour of preparers and other parties involved in the process of preparing and reviewing disclosures. The discussion paper should address how Standard Setters should assess the appropriate level of detail of disclosure requirements.

EFRAG agreed that risk plays an important role in disclosures. EFRAG asked to articulate the discussion better between the content of risk information and the placement in the notes or in other sections of the financial reporting.

EFRAG staff will continue to work on the finalisation of the Discussion Paper and will present a revised draft in the coming months.

Deepa Raval, Director of the UK FRC AC, gave a presentation on an upcoming UK FRC AC project. The UK FRC AC believes that the discussion on a Disclosure Framework should go beyond the notes to the financial statements. The UK FRC AC intends to explore how the EFRAG project fits into a wider disclosure framework. EFRAG also discussed the possibility to endorse the additional document of the UK FRC AC.

## **EFRAG Proactive Project *Considering the Effects of Accounting Standards***

EFRAG finalised the feedback statement and position paper jointly developed by EFRAG and the UK FRC AC. In formulating the final positions on the different aspects of effects analysis, EFRAG and the UK FRC AC carefully considered the outcome of the public consultation on their Discussion Paper *Considering the Effects of Accounting Standards* (the DP), published in January 2011.

The structure and content of both the feedback statement and the position paper were received positively. In essence, the feedback statement will note the proposals as discussed in the DP, the feedback received for each proposal from the respondents to the DP (31 comment letters) with the alternative views and suggestions, and the final positions adopted with appropriate reasoning. The position paper will set out the final positions reached, which will be aligned with the positions in the feedback statement.

EFRAG and the UK FRC AC expect to publish a joint feedback statement and position paper for the DP at the end of June 2012.

## **EFRAG Proactive Project *The Role of Business Model in Financial Reporting***

At its May 2011 meeting, EFRAG discussed an updated outline of a discussion paper on the role of business model in financial reporting and a draft of the first two chapters. During the meeting, EFRAG considered the project team's proposal to use a single meaning of the term rather than alternative meanings which would then be used in later chapters of the discussion paper to develop detailed examples and alternative views of the possible implications of the business model for financial reporting.

EFRAG agreed that the project team should continue to proceed and develop detailed examples of the business model and use those examples as a basis for a future Business Model Advisory Panel meeting discussion.