



July 2017

## EFRAG Update

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.

### July Publications

#### **Draft Comment Letter**

On 5 July, EFRAG published a Draft Comment Letter on the IASB's ED/2017/4 *Property, Plant and Equipment - Proceeds before Intended Use (Proposed amendments to IAS 16)*. Please see the [EFRAG website](#).

#### **Feedback reports**

EFRAG published a number of reports summarising the input received at outreach events held during the month on the IASB's Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*:

- On 4 July, EFRAG published a summary report on the joint outreach event held in Copenhagen held on 14 June together with the Confederation of Danish Industry and FSR – Danish Auditors with the participation of the IASB. Please see the [EFRAG Website](#).
- On 7 July, EFRAG published a summary report on the joint investor outreach event held in Oslo on 15 June together with the European Federation of Financial Analysts Societies, the Norwegian Society of Financial Analysts (EFFAS) and the Norwegian Accounting Standard Board (NASB) with the participation of the IASB. Please see the [EFRAG Website](#).
- On 10 July, EFRAG published a summary report on the joint outreach event held in Oslo on 15 June together with the NASB with the participation of the IASB. Please see the [EFRAG Website](#).
- On 17 July, EFRAG published a summary report on the joint outreach event held in London on 4 July together with the UK Financial Reporting Council (UK FRC) with the participation of the IASB. Please see the [EFRAG website](#).
- On 19 July, EFRAG published a summary report on the joint user outreach event held in Brussels on 3 July together with the European Federation of Financial Analysts Societies (EFFAS), the Belgian Association of Financial Analysts (ABAF/BVFA) and the IASB. Please see the [EFRAG website](#).

#### **EFRAG calls for evidence**

On 3 July, EFRAG launched a call for evidence from European stakeholders, including preparers, users and auditors, regarding the application of IFRS 13 *Fair Value Measurement*. Participants are invited to complete this survey by 8 September 2017. Please see the [EFRAG Website](#).

On 4 July, EFRAG launched an online survey requesting evidence on equity investments held by European entities and possible effects of IFRS 9 *Financial Instruments* on their equity portfolios. Participants are invited to complete this survey by 30 September 2017. Please see the [EFRAG Website](#).

## July 2017 meetings and conference calls

This edition of the EFRAG Update contains summaries of meetings and conference calls held in month by:

- The EFRAG Board; and
- The EFRAG Technical Expert Group (EFRAG TEG).

## Detailed meeting reports

### EFRAG Board meeting on 20 July

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The EFRAG Board [met on 20 July](#) and discussed the following:

- IFRS 17 *Insurance Contracts*
- EFRAG Research Project *Equity Instruments - Impairment and Recycling*
- Status of EFRAG research projects
- EFRAG technical work plan

#### *IFRS 17 Insurance Contracts*

The EFRAG Board considered the steps it should take in preparation for the endorsement advice process. The EFRAG Board decided to invite users to present at a future meeting of the EFRAG Board and asked that future EFRAG Board discussions should consider both the benefits of IFRS 17 and the concerns raised by the insurance industry.

The EFRAG Board received a presentation from the CFO of AXA on the anticipated impact of IFRS 17 from a business and strategic perspective. No decisions were taken as a result of the presentation.

#### *EFRAG Research Project Equity Instruments - Impairment and Recycling*

The EFRAG Board considered an update on the activities being undertaken to address the request from the European Commission. No decisions were taken at the meeting.

#### *Status of EFRAG research projects*

The EFRAG Board considered that it might be timely to consider a public consultation on possible projects that could be added to the EFRAG research agenda. The EFRAG Board encouraged the pooling of research resources with European national standard setters whenever practical as part of EFRAG's approach to undertaking research.

No decisions were taken at the meeting.

#### *EFRAG technical work plan*

The EFRAG Board approved the technical work plan.

### EFRAG Board – July written procedures

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

- EFRAG's draft comment letter on the IASB exposure draft ED/2017/4 *Property, Plant and Equipment — Proceeds before Intended Use (Proposed amendments to IAS 16)*

## EFRAG Board – Expected August written procedures

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The EFRAG Board is expected to approve the following documents using written procedures in August:

- EFRAG's Final Comment Letter on the IASB Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments*
- EFRAG's Draft Endorsement Advice on IFRIC 23 *Uncertainty over Income Tax Treatments*

## EFRAG TEG meeting on 26-27 July

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At its [meeting on 26-27 July](#), EFRAG TEG discussed:

- IFRS 17 *Insurance Contracts*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- IASB Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments*
- IASB Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)*
- IASB Research Project *Financial Instruments with Characteristics of Equity*
- EFRAG Research Project *Transactions other than Exchanges of Equal Value*
- Consistency in Financial Reporting

### IFRS 17 *Insurance Contracts*

EFRAG TEG discussed a first draft of Appendices I and II of the forthcoming draft endorsement advice on IFRS 17 *Insurance Contracts* and made suggestions for further improvements. The discussion was informed by comments made by the EFRAG Insurance Accounting Working Group on the document.

No decisions were taken at the meeting.

### IFRIC 23 *Uncertainty over Income Tax Treatments*

EFRAG TEG agreed, subject to drafting changes, to recommend to the EFRAG Board a Draft Endorsement Advice supporting the endorsement of IFRIC 23.

### IASB Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments*

EFRAG TEG considered comments received in response to its preliminary views on the proposed amendments to IFRS 8 *Operating Segments* and IAS 34 *Interim Financial Statements*. In most cases, EFRAG TEG agreed to maintain the EFRAG tentative position on the amendments and recommend a final comment letter to the EFRAG Board for approval expressing overall support. However, given the concerns expressed by several respondents, EFRAG TEG recommended to disagree with the proposal that entities should be required to explain why reportable segments identified in the financial statements differ from segments identified elsewhere. EFRAG TEG also recommended removing the tentative suggestion that the IASB should provide guidance on whether functional currency is or could be an economic characteristic for the purpose of segment aggregation.

### IASB Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)*

EFRAG TEG was informed of the latest tentative decisions made by the IASB on the project and how they compared with the views expressed by EFRAG in its comment letter in response to the

exposure draft. EFRAG TEG also discussed the tentative decision of the IASB to include a clarification on the accounting for modifications of financial liabilities in the Basis for Conclusions on the forthcoming amendments to IFRS 9.

No decisions were taken at the meeting.

### IASB Research Project *Financial Instruments with Characteristics of Equity*

EFRAG TEG discussed recent developments and the next steps on the project. Many EFRAG TEG members expressed concern that the attribution of profit or loss and other comprehensive income to sub-classes of equity, and the update of the carrying amount of these subclasses of equity to reflect the attribution, would increase the complexity of the accounting within equity. Further, some EFRAG TEG members suggested that complexity would be reduced if the new model required all derivatives on own equity to be accounted for in the same way as derivatives currently in the scope of IFRS 9 *Financial Instruments*.

When discussing whether the effects of laws should be considered in the classification of financial instruments, some EFRAG TEG members highlighted the importance of considering the challenges that arise with the new Banking Recovery and Resolution Directive. Finally, it was noted that EFRAG has previously assessed that IAS 32 *Financial Instruments: Presentation* is not fundamentally broken and, accordingly, that there is no need for a fundamental review of its requirements.

No decisions were taken at the meeting.

### EFRAG Research Project *Transactions other than Exchanges of Equal Value*

EFRAG TEG considered a paper discussing the scope of the research project and the application of a performance obligation approach to some forms of income-generating transaction which are subject to conditions, such as government grants.

Members generally considered that the scope of the project should include both expense and income-generating transactions but should not be defined too broadly. Some members preferred to base the scope of the project on the economic characteristics of a class of transactions such as those in which an entity may pay or receive cash in exchange for non-identifiable good or service. Some other members suggested limiting the main focus to a more specific subset of transactions such as levies and grants.

Members generally also agreed to further investigate how some of the principles in IFRS 15 *Revenue from Contracts with Customers* could be used to address some forms of income-generating transactions and what, if any adaptations would be needed.

No decisions were taken at the meeting.

### Consistency in Financial Reporting

EFRAG TEG discussed a draft paper being prepared for discussion at the EFRAG Board. EFRAG TEG recommended that the paper address why there could be a problem with consistency and recommended that the paper clarify that consistency is both over time and between different entities. No decisions were taken at the meeting.