

**EFRAG SECRETARIAT PAPER FOR PUBLIC EFRAG BOARD MEETING**

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## EFRAG Research activities

### Projects update

**Objective**

- 1 The objective of this session is to provide a short update on status of the various projects in the Research activities.

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| <b>Project title</b>   | Goodwill and impairment  |
| <b>Key research question</b>   | Subsequent accounting treatment of goodwill  |
| <b>Current status</b>  | EFRAG published its Discussion Paper <i>Goodwill impairment: can be improved?</i> open for comments until December 31.   |
| <b>Next TEG discussion</b>   | No further discussion planned until the end of the comment period.   |
| <b>Product envisaged or published, (anticipated) date of publication</b> | PRIOR PUBLICATIONS <ul style="list-style-type: none"> <li>Joint Research Team Paper with Accounting Standards Board of Japan and Organismo Italiano di Contabilita (2014)</li> <li>Quantitative study on goodwill and impairment (2016)</li> </ul> |

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| <b>Project title</b>         | Equity instruments – impairment and recycling  |
| <b>Key research question</b> | Impairment model for equity instruments carried at FV through OCI under IFRS 9   |
| <b>Current status</b>        | In May, the User Panel had a discussion of the significance of an impairment model for recycling.<br><br>In June, EFRAG TEG has discussed a more articulated version of the ‘lower of cost and fair value’ approach. |

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|  | The future publication will include at least a 'lower of cost and fair value' approach and an approach similar to the IAS 39 impairment model for AFS, with possibly some quantitative impairment indicators or triggers. |
| <b>Next TEG discussion</b>   | At the September meeting, the EFRAG Secretariat will report on the status of the public consultation and bring back an enhanced version of the AFS model in IAS 39.   |
| <b>Product envisaged or published, (anticipated) date of publication</b> | Report on Phase 1 by the end of 2017.<br>Discussion Paper on Phase 2 in the first half of 2018.   |

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| <b>Project title</b>   | Transactions other than Exchanges of Equal Value  |
| <b>Key research question</b>   | Considering a specific accounting approach for transactions where entities do not directly receive (or give) approximately equal value. These transactions may be compulsory and frequently involve Governments in their capacity: direct and indirect taxes, grants and donations.   |
| <b>Current status</b>  | EFRAG TEG had an initial discussion on an accounting model for cost-generating and income-generating transactions in the scope of the project.<br><br>EFRAG TEG noted that the 'imposed transaction' criterion previously used to define the scope of the project may need to be reconsidered. Also, it was suggested that some of the principles in IFRS 15 <i>Revenue from Contracts with Customers</i> could be helpful for some income-generating transactions, but additional work was needed on the matter. |
| <b>Next TEG discussion</b>   | At the July meeting, the EFRAG Secretariat will present a revised version of the model in consideration of the comments received.   |
| <b>Product envisaged or published, (anticipated) date of publication</b> | Discussion paper in 2018  |

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| <b>Project title</b>         | Pensions   |
| <b>Key research question</b> | Accounting treatment for plans with return-based promises  |
| <b>Current status</b>        | The last EFRAG TEG session in June and the last Pensions Advisory Panel session in July focused on the discussion on |

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|  | <p>illustrative examples where alternative approaches are applied to different scenarios.</p> <p>The approaches currently considered are:</p> <ul style="list-style-type: none"> <li>• An approach based on the Draft Interpretation D9 <i>Employee Benefits Plans with a promised return</i></li> <li>• An approach where the pension obligations is measured with reference to the assets to which the promise is linked</li> <li>• An approach where the expected rate of return is capped at the discount rate</li> <li>• An approach based on the guidance in IFRS 17</li> </ul> |
| <b>Next TEG discussion</b>   | In October EFRAG TEG will discuss a revised version of the alternative approaches, that will take into consideration the input received by the Pensions Advisory Panel.   |
| <b>Use of evidence</b>   | EFRAG Secretariat presented in December 2016 a paper with quantitative data and trends on pension liabilities, pension costs and actuarial gains/losses for a sample of about 2.000 European public companies.  |
| <b>Product envisaged or published, (anticipated) date of publication</b> | Discussion paper in 2018  |

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| <b>Project title</b>                 | Discounting with current interest rates   |
| <b>Key research question</b>         | <p>Considering whether a zero-floor should be introduced in present value calculations.</p> <p>Considering presentation requirements for remeasurements of liabilities due to revisions of discount rates.</p>  |
| <b>Current status</b>                | <p>In January, EFRAG TEG discussed and rejected the idea to introduce a zero-floor for discount rates.</p> <p>EFRAG has decided to co-sponsor an academic project on discounting in financial reporting together with the Institute of Chartered Accountants of Scotland. The project will be completed in 2018.</p> <p>Discounting will be discussed in the context of the Academic Workshop in September.</p> |
| <b>Next TEG and Board discussion</b> | The results of the academic project will be presented to EFRAG TEG and EFRAG Board.   |

*EFRAG Research activities – projects update*

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| <b>Product envisaged or published, (anticipated) date of publication</b> | To be decided |
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- 2 Following the completion of the research activities on the goodwill impairment test, EFRAG Secretariat suggests to consider adding a new project to the Research agenda. The EFRAG Research Director has recently met some National Standard Setters to discuss topics of interest where there may be opportunity to cooperate. After the summer, the EFRAG Secretariat will also consult EFRAG TEG and the User Panel and will then develop some suggestions for the EFRAG Board.