

November 2015

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.

November Publications

Feedback Statement

On 27 November, EFRAG published a feedback statement in relation to the joint outreach event held in Paris, on the IASB Exposure Draft ED 2015/3 *Conceptual Framework for Financial Reporting*, in conjunction with the Autorité des Normes Comptables (ANC).

For more details, please see the [EFRAG website](#).

On 27 November, EFRAG and published a feedback statement in relation to the joint outreach event held in Amsterdam, on the IASB Exposure Draft ED 2015/3 *Conceptual Framework for Financial Reporting*, in conjunction with the Dutch Accounting Standards Board.

For more details, please see the [EFRAG website](#).

On 24 November, EFRAG published a feedback statement following the publication of the final comment letter on the IASB's Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)*.

For more details, please see the [EFRAG website](#).

On 20 November, EFRAG published a feedback statement in relation to the joint outreach event held in Helsinki, on the IASB Exposure Draft ED 2015/3 *Conceptual Framework for Financial Reporting*, in conjunction with the Financial Supervisory Authority of Finland, the Ministry of Employment and the Economy, and the Confederation of Finnish Industries.

For more details, please see the [EFRAG website](#).

Final Comment Letter

On 10 November, EFRAG issued its final comment letter on the IASB's Exposure Draft ED/2015/6 *Clarifications to IFRS 15*.

For more details, please see the [EFRAG website](#).

On 6 November, EFRAG published its final comment letter in response to the IASB's Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)*.

For more details, please see the [EFRAG website](#).

Draft Comment Letter

On 27 November, EFRAG published its draft comment letter in response to the IASB's Exposure Draft ED/2015/8 *IFRS Practice Statement: Application of Materiality to Financial Statements*. For more details, please see the [EFRAG website](#).

On 17 November, EFRAG published its draft comment letter in response to the Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments*. For more details, please see the [EFRAG website](#).

On 12 November, EFRAG issued its draft comment letter on the IASB's Draft Interpretation *Foreign Currency Transactions and Advance Consideration*. For more details, please see the [EFRAG website](#).

Draft Letter to the European Commission

On 10 November, EFRAG issued a draft letter to the European Commission to seek constituents' views on the preliminary analysis conducted by EFRAG on the amendments to IFRS 4. For more details, please see the [EFRAG website](#).

EFRAG Preliminary Views

On 8 November, EFRAG provided its preliminary views on the IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*.

For more details, please see the [EFRAG website](#).

November 2015 meetings and conference calls

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

- The EFRAG Board
- The EFRAG Technical Expert Group (EFRAG TEG)

Detailed meeting reports

EFRAG Board conference call on 9 November

The EFRAG Board held a conference call on 9 November and discussed EFRAG's draft letter to the European Commission, providing further information related to the endorsement of IFRS 9. The draft letter was released for a short consultation period.

EFRAG Board conference call on 24 November

The EFRAG Board held a conference call on 24 November and discussed the following:

- IFRS 9 *Financial Instruments* (supplement to EFRAG's IFRS 9 Endorsement Advice)
- IASB Project *Insurance*

IFRS 9 *Financial Instruments* (supplement to EFRAG's IFRS 9 Endorsement Advice)

The EFRAG Board approved a letter to the European Commission providing supplementary explanations of EFRAG's conclusion that IFRS 9 *Financial Instruments* is not contrary to the true and fair principle.

IASB Project *Insurance*

The EFRAG Board considered comments received on its draft letter to the European Commission providing further information related to the endorsement of IFRS 9 and the IASB's forthcoming Exposure Draft *Different Effective Dates of IFRS 9 and the New Insurance Contracts Standard*. The EFRAG Board will finalise its discussions in a conference call on 4 December.

EFRAG Board – November written procedures

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

- EFRAG Final Comment Letter on IASB Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)*
- EFRAG Final Comment Letter on IASB Exposure Draft ED/2015/6 *Clarifications to IFRS 15*
- EFRAG Draft Comment Letter on IASB Draft IFRIC Interpretation DI/2015/1 *Accounting for Uncertainties in Income Taxes*
- EFRAG Draft Comment Letter on IASB Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration*
- EFRAG Draft Comment Letter on the IASB Exposure Draft ED/2015/8 *IFRS Practice*

Statement *Application of Materiality to Financial Statements*

EFRAG Board – Expected December written procedures

During December, the EFRAG Board is expected to approve the following documents using written procedures:

- EFRAG's Draft Comment Letter on the IASB Exposure Draft ED/2015/9 *Transfers of Investment Property*

EFRAG TEG conference call on 19 November

At its conference call on 19 November, EFRAG TEG discussed:

- IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*
- IASB Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)*

IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*

EFRAG TEG noted that the IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting* lacked guidance on essential issues. EFRAG TEG discussed what issues the IASB should provide more guidance on, as part of the current project on the Conceptual Framework and what issues could be considered in separate projects. EFRAG TEG also noted that constituents had different interpretations on the implications of including 'stewardship' in the Conceptual Framework. EFRAG TEG decided to describe what it considered by the term, in relation to accounting. Finally, EFRAG TEG discussed whether the matching principle should have a more prominent role in the Conceptual Framework. No decisions were taken.

IASB Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)*

EFRAG TEG approved its feedback statement to constituents summarising the comments received on EFRAG's draft comment letter.

EFRAG TEG meeting on 4 – 5 November

At its meeting of 4 – 5 November, EFRAG TEG discussed:

- IASB Project *Insurance*
- IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*
- IASB Exposure Draft ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements*
- IASB Exposure Draft ED/2015/6 *Clarifications to IFRS 15*
- IASB Research Project *Reporting the Financial Effects of Rate Regulation*
- IASB Research Project *Financial Instruments with Characteristics of Equity*
- IFRS Interpretations Committee issues:

- Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments*
- Draft IFRIC Interpretation *Foreign Currency Transactions and Advance Consideration*
- EFRAG proactive work on *Goodwill and Impairment*
- EFRAG proactive work on *Accounting Implications of Negative Interest Rates*

IASB Project *Insurance*

EFRAG TEG discussed the forthcoming overlay and deferral amendments to IFRS 4 *Insurance Contracts*.

EFRAG TEG considered the criteria and level of application (including for first-time adopters of IFRS) for applying the deferral approach of IFRS 9 for insurers. The conditions for application of the overlay approach were discussed, more specifically on transition and after initial application.

EFRAG TEG also discussed the September and October IASB redeliberations regarding the new Insurance Contracts Standard. On transition, EFRAG TEG considered the relief that permits or requires an entity to reassess its business model for its financial assets along with the treatment of the comparative information at the date of the initial application of the new Insurance Contracts Standard. EFRAG TEG also considered specific aspects of accounting, presentation and disclosure of the insurance contracts liability, after the initial application of the new Insurance Contracts Standard.

IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*

EFRAG TEG approved a feedback statement summarising responses received to its draft comment letter.

IASB Exposure Draft ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements*

EFRAG TEG agreed to recommend a draft comment letter to the EFRAG Board that supported the issue of application guidance on materiality in the non-mandatory form of a practice statement. EFRAG TEG considered that the objectives of the guidance should be clarified to state that the practice statement can be useful to auditors and regulators, as well as preparers, to promote a common understanding of the role and application of materiality. Furthermore, EFRAG TEG considered that the guidance should be drafted in a more concise and practical way, and focus on areas where it is acknowledged that judgement on materiality is the most difficult to exercise. Lastly, the guidance should be issued without waiting for the outcome of the forthcoming discussion paper *Principles of Disclosure*.

IASB Exposure Draft ED/2015/6 *Clarifications to IFRS 15*

EFRAG TEG discussed the feedback received in response to EFRAG's draft comment letter and agreed to recommend a final comment letter to the EFRAG Board.

IASB Project *Leases*

EFRAG TEG received an update on the recent IASB decisions in respect of the forthcoming IFRS 16 *Leases* and were informed of the preliminary findings from the outreach activities conducted on the expected effects of IFRS 16 *Leases* on financial covenants contained in loan agreements.

No decisions were taken at the meeting.

IASB Research Project *Reporting the Financial Effects of Rate Regulation*

EFRAG TEG received a presentation from an EFRAG TEG member, who provided an overview of the business model of a UK Water and Sewerage Company which operates in a defined rate-regulated environment, and considered the outcome of the outreach conducted by EFRAG Secretariat on real-life examples of rate regulation.

No decisions were taken at the meeting.

IASB Research Project *Financial Instruments with Characteristics of Equity*

EFRAG TEG received an update on the IASB's project. EFRAG TEG discussed possible improvements to the requirements in IAS 32 and the challenges associated with accounting for derivatives on 'own equity'. No decisions were taken at the meeting.

IFRS Interpretations Committee issues

- *Draft IFRIC Interpretation DI/2015/1 Uncertainty over Income Tax Treatments*

EFRAG TEG generally supported the proposals in the draft Interpretation and recommended a draft comment letter to the EFRAG Board. However, EFRAG TEG identified that the proposed requirements may create an inconsistency between accounting for income tax and other similar positions and recommended that EFRAG seek input from constituents on this issue, in order to find out whether and how to communicate the issue to the IASB.

- *Draft IFRIC Interpretation DI/2015/2 Foreign Currency Transactions and Advance Consideration*

EFRAG TEG discussed and agreed to recommend a draft comment letter to the EFRAG Board on a draft Interpretation to provide guidance about which exchange rate should be used to report foreign currency transactions, when payment is paid or received in advance. EFRAG TEG generally supported the proposed guidance because it would help reduce the identified diversity in practice for these specific transactions.

EFRAG proactive work on *Goodwill and Impairment*

EFRAG TEG discussed possible changes to the requirements in IAS 36 with reference to selecting and reassessing the discount rate. A majority of EFRAG TEG agreed that it would be useful to allow the option to use 'post-tax discount rates' in the impairment test, but suggested that further research was needed. The majority of EFRAG TEG was also supportive of the existing guidance that requires an entity to reassess the discount rate in the impairment test to ensure that it properly reflects the expected market return of the CGU. EFRAG TEG discussed the next steps of the project and recommended that EFRAG should cooperate on the topic with the IASB.

EFRAG proactive work on accounting implications of negative interest rates

EFRAG TEG recommended that a formal paper not be issued on the topic and suggested that EFRAG Secretariat discuss the analysis of the issues with IASB staff.