



July 2016

## 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

#### **Final Endorsement Advice**

On 6 July, EFRAG submitted its endorsement advice letter to the European Commission regarding *Clarifications to IFRS 15 Revenue from Contracts with Customers* for use in the European Union and European Economic area.

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

#### **Draft Comment Letter**

On 27 July, EFRAG published its draft comment letter on the IASB's Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11)*.

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

#### **Summary Reports of Outreach Events**

On 20 July, EFRAG published a summary report to summarise the joint outreach event '*What's new in Accounting for Leases: a change worth \$2.2 trillion*', held on 5 July in cooperation with the European Federation of Financial Analysts Societies (EFFAS) and the Belgian Association of Financial Analysts (BVFA/ABAF).

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

## July 2016 meetings and conference calls

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

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

### Detailed meeting reports

#### EFRAG Board meeting on 19 July

---

The EFRAG Board met on 19 July and discussed the following:

- IFRS 16 *Leases*
- IASB Project *Insurance Contracts*
- IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*
- EFRAG's Proactive Work on Goodwill Impairment and Amortisation
- IASB Request for Views: 2015 *Agenda Consultation*
- EFRAG work plan.

#### IFRS 16 *Leases*

The EFRAG Board considered a simulation of the quantitative accounting impact on a sample of listed entities in the European Economic Area and approved the use of relevant information from this simulation in the draft endorsement advice.

The EFRAG Board noted the difficulties in accessing data on the effects of IFRS 16 on entities using IFRS under Member State options in the IAS Regulation.

#### IASB Project *Insurance Contracts*

The EFRAG Board received a presentation on the aggregation and mutualisation requirements in the forthcoming insurance contracts Standard. No decisions were taken at the meeting.

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

The EFRAG Board considered a paper proposing guidance on selecting a measurement basis to be included in the revised Conceptual Framework and approved it for presentation at the September ASAF meeting as an EFRAG Secretariat paper.

#### EFRAG's Proactive Work on Goodwill Impairment and Amortisation

The EFRAG Board approved the content outline of a publication setting out a quantitative analysis of historical trends in goodwill and goodwill impairment reported in financial statements.

#### IASB Request for Views: 2015 *Agenda Consultation*

The EFRAG Board noted the decisions taken by the IASB as an outcome of its 2015 Agenda Consultation and approved the continuation of the existing EFRAG proactive work plan.

## EFRAG work plan

The EFRAG Board approved the work plan as presented.

## EFRAG Board – July written procedures

---

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

- EFRAG's final endorsement advice on the IASB's Publication *Clarifications to IFRS 15 Revenue from Contracts with Customers*
- EFRAG's draft comment letter on the IASB's Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11)*.

## EFRAG TEG conference call on 12 July

---

At its conference call on 12 July, EFRAG TEG discussed IASB Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11)*.

EFRAG TEG agreed to recommend a draft comment letter to the EFRAG Board supporting the proposed amendments, subject to minor drafting improvements.

## EFRAG TEG meeting on 25-26 July

---

At its meeting on 25-26 July, EFRAG TEG discussed:

- IFRS 16 *Leases*
- IASB Publication *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*
- IASB Project *Dynamic Risk Management*
- IASB Project *Insurance Contracts*
- IASB Research Project *Rate-Regulated Activities*
- IFRS Interpretations Committee Project *Accounting for Income Tax Consequences of Payments on, and Issuing costs of, Financial Instruments Classified as Equity*
- EFRAG Proactive Work on Goodwill Impairment and Amortisation.

## IFRS 16 *Leases*

EFRAG TEG considered a simulation of the quantitative accounting impact on a sample of small and medium-sized entities in the European Economic Area and approved the use of relevant information from this simulation in the draft endorsement advice. EFRAG TEG also discussed the assessment of the costs and benefits expected to arise from implementing IFRS 16 and agreed to include this assessment in the draft endorsement advice.

EFRAG TEG also received an update on the findings from fieldwork being conducted on the definition of a lease.

### *IASB Publication Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*

EFRAG TEG agreed to recommend to the EFRAG Board a draft endorsement advice letter to the European Commission and invitation to comment supporting the adoption of the Amendments, subject to the request for advice being received from the European Commission.

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

EFRAG TEG considered the tentative decisions of the July 2016 IASB meeting relating to the project on the *Conceptual Framework for Financial Reporting*. No decisions were taken at the meeting.

### *IASB Project Dynamic Risk Management*

EFRAG TEG discussed the preliminary findings from the interviews conducted by the EFRAG Secretariat with a number of banks on how they define and model their structural balances for the purpose of interest rate risk management. No decisions were taken at the meeting.

### *IASB Project Insurance Contracts*

EFRAG TEG was provided with an update on the work being undertaken with the EFRAG IAWG on issues requiring clarification and/or understanding relating to the forthcoming insurance contracts Standard. In particular, the discussion focussed on the issue of mutualisation and how it interacts with the level of aggregation. No decisions were taken at the meeting.

### *IASB Research Project Rate-Regulated Activities*

EFRAG TEG considered a paper that examined whether the rights and obligations that arise from a regulatory agreement between an entity subject to 'defined rate regulation' and the rate regulator meet the definitions of assets and liabilities in the IASB's Exposure Draft Conceptual Framework for Financial Reporting. No decisions were taken at the meeting.

### *IFRS Interpretations Committee Project Accounting for Income Tax Consequences of Payments on, and Issuing Costs of Financial Instruments Classified as Equity*

EFRAG TEG had a preliminary discussion on the IASB proposals to address the issue referred by the IFRS Interpretations Committee. No decisions were taken at the meeting.

### *EFRAG Proactive Work on Goodwill Impairment and Amortisation*

EFRAG TEG considered a publication setting out a quantitative analysis of historical trends in goodwill and goodwill impairment. EFRAG TEG generally agreed with the content of the study and recommended a number of improvements before it is submitted for the consideration of the EFRAG Board.