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EFRAG
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Berlin, 20 November 2014

Dear Roger,

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON
EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS (AMENDMENTS TO
IAS 27)**

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Assessment of the IASB's amendments to IAS 27 *Equity Method in Separate Financial Statements* ('Amendments').

We agree with the views set out in the assessment. As a national standard-setter we are not in a position to answer the questions regarding the costs and the benefits that will arise for preparers and for users to implement the amendment. We therefore sent your assessment-form to the DAX30 entities and got feedback from one entity, which indicated that they agree with the assessment made by EFRAG.

As attachments to this letter you will find our comments to the above mentioned assessment as well as those received from the DAX30 entity.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President

DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS (AMENDMENTS TO IAS 27)

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 21 November 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the narrow-scope amendments to IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* (the 'Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1.

Note to constituents

The endorsement advice on the Amendments will be finalised by the EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process.

The Amendments to IAS 27 *Equity Method in Separate Financial Statements* refer to IFRS 9 *Financial Instruments*, which has not yet been endorsed in the EU. These references to IFRS 9 are not addressed in this Draft Endorsement Advice. They will be addressed when IFRS 9 is considered for endorsement.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Liesel Knorr, ASCG (Accounting Standards Committee

of Germany)

Equity Method in Separate Financial Statements – Invitation to Comment on EFRAG’s Initial Assessments

(b) Are you a:

Preparer User Other (please specify)

National Standard Setter

(c) Please provide a short description of your activity:

see above (b)

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Liesel Knorr - c/o DRSC e.V.

Zimmerstr. 30; 10969 Berlin

knorr@drsc.de

2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

none

Equity Method in Separate Financial Statements – Invitation to Comment on EFRAG’s Initial Assessments

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 2-9 of Appendix 3. To summarise, EFRAG’s initial assessment is that the Amendments will not result in significant increased costs for most preparers and users, particularly when considering that the use of the equity method is optional in the separate financial statements prepared under IFRS. However, preparers and users may incur one-off costs when an entity opts to change from ‘cost’ or ‘fair value’ to ‘equity method’ and applies that change retrospectively.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We as a national standard setter are not in a position to comment on this issue.

The constituent responding to this survey agrees with EFRAG's assessment.

- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 10-13 of Appendix 3. EFRAG’s initial assessment is that, despite the potential impact on comparability of adding an accounting policy option, users are likely to benefit from the Amendments as the information resulting from the Amendments will provide relevant and reliable information about the investment’s performance and economic value. Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

We as a national standard setter are not in a position to comment on this issue.

The constituent responding to this survey agrees with EFRAG's assessment.

- 5 EFRAG’s initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Equity Method in Separate Financial Statements – Invitation to Comment on EFRAG's Initial Assessments

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

We as a national standard setter are not in a position to comment on this issue.

The constituent responding to this survey agrees with EFRAG's assessment.

-
- 6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes No

If yes, please provide your reasons.

- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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ON EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS
(AMENDMENTS TO IAS 27)**

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EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

anonymous

Equity Method in Separate Financial Statements – Invitation to Comment on EFRAG’s Initial Assessments

(b) Are you a:

Preparer User Other (please specify)

(c) Please provide a short description of your activity:

Healthcare, Cropscience, Materialscience

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

anonymous

2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

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Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

Equity Method in Separate Financial Statements – Invitation to Comment on EFRAG’s Initial Assessments

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

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- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 10-13 of Appendix 3. EFRAG’s initial assessment is that, despite the potential impact on comparability of adding an accounting policy option, users are likely to benefit from the Amendments as the information resulting from the Amendments will provide relevant and reliable information about the investment’s performance and economic value. Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

Equity Method in Separate Financial Statements – Invitation to Comment on EFRAG’s Initial Assessments

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Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

Yes No

If yes, please provide your reasons.

- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?
