

December 2014

EFRAG Update

EFRAG Update is published on a monthly basis to inform constituents about due process publications, public technical discussions held and decisions made during that month.

December Publications

Endorsement Advice

EFRAG's advice to the European Commission on Endorsement of the IASB Publication *Equity Method in Separate Financial Statements* was published on 19 December 2014. For more details please see the [EFRAG website](#).

Draft comment letters

A draft comment letter in response to the IASB Exposure Draft *Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)* was published on 16 December. For more details please see the [EFRAG website](#).

December 2014 meetings

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

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

Detailed meeting reports

EFRAG Board – Meeting on 17 December

The EFRAG Board met on 17 December. The technical topics discussed were:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IASB Publication *Equity Method in Separate Financial Statements*
- IASB Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*
- EFRAG/ASBJ/OIC Discussion Paper *Should Goodwill Still Not Be Amortised?*
- IASB Discussion Paper *Rate-Regulated Activities*
- EFRAG workplan

Details of the discussions are summarised below.

IFRS 9 *Financial Instruments*

The EFRAG Board considered the request from the European Commission to provide an endorsement advice relating to IFRS 9. The EFRAG Board considered the range of activities that needed to be undertaken to meet this request, and the sources of available information.

The EFRAG Board will consider information that will contribute to the development of its draft opinion during its meetings in January, February, and March 2015, with the objective of approving its draft opinion for public comment at its meeting in April 2015.

IFRS 15 Revenue from Contracts with Customers

The EFRAG Board considered the forthcoming finalisation of the endorsement advice to be provided to the European Commission. The Board decided to ask EFRAG TEG to include a consideration of prudence and further analysis of the costs and benefits of the disclosures in IFRS 15 when it finalises its technical advice for the Board.

IASB Publication *Equity Method in Separate Financial Statements*

The EFRAG Board approved the final EFRAG endorsement advice to the European Commission. EFRAG's assessment is that the amendments meet the technical criteria for endorsement for use in the European Union and European Economic Area and EFRAG has therefore recommended their endorsement.

IASB Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*

The Board discussed the draft comment letter on the Exposure Draft and noted the varying views received so far during the consultation period. Most members of the Board broadly agreed with the position in the draft comment letter.

The Board expects to approve a final comment letter at its meeting in January 2015 when it receives advice from EFRAG TEG.

EFRAG/ASBJ/OIC Discussion Paper *Should Goodwill Still Not Be Amortised?*

The Board considered that further work should be undertaken and requested that a project plan be prepared for consideration at a future meeting.

IASB Discussion Paper *Rate-Regulated Activities*

The Board discussed the EFRAG draft comment letter on the Discussion Paper and supported the approach taken. The Board expects to approve a final comment letter at its meeting in January 2015 when it receives advice from EFRAG TEG.

EFRAG workplan

The Board noted the reasons why certain minor projects of the IASB had been classified as requiring the Board's consideration in a meeting and approved the work plan.

EFRAG Technical Expert Group – Meeting on 2 and 3 December

EFRAG TEG met on 2 and 3 December and discussed:

- The Conceptual Framework for Financial Reporting
- IFRS 9 *Financial Instruments*
- IFRS 11 *Joint Arrangements*
- IFRS 15 *Revenue from Contracts with Customers*
- IASB Publication *Equity Method in Separate Financial Statements*
- IASB Exposure Draft *Classification and Measurement of Share-based Payment Transactions*
- IASB Project *Insurance Contracts*
- IASB Project *Disclosure Initiative*
- EFRAG Research Project *Cash Flow Statements for Financial Institutions*

The Conceptual Framework for Financial Reporting

EFRAG TEG discussed the IASB's tentative decisions related to the Conceptual Framework. EFRAG TEG doubted that the tentative decisions of the IASB would result in useful guidance for decisions at Standards level on whether an item should be reported in other comprehensive income or in profit or loss. The EFRAG staff were therefore requested to prepare suggestions on what profit or loss should represent.

IFRS 9 *Financial Instruments*

EFRAG TEG continued its discussions on the final standard and the process leading to advice on endorsement. No decisions were taken.

IFRS 11 *Joint Arrangements*

EFRAG TEG were provided with a summary of recent IFRS Interpretations Committee discussion and their tentative agenda decisions in respect to issues on implementation of IFRS 11. EFRAG TEG members thought that there is no need for EFRAG to comment on those tentative agenda decisions, however EFRAG TEG decided to advise the EFRAG Board to write a letter to the IFRS Interpretations Committee in respect of the decision not to publish an agenda decision on the issue relating to 'project entities'. It was felt that an agenda decision would be helpful to constituents in that it would provide insight about why the IFRS Interpretations Committee decided not to take this add this issue to its agenda.

IFRS 15 *Revenue from Contracts with Customers*

EFRAG TEG received an update on the FASB/IASB outreach on the effective date, the discussions of the Joint Transition Resource Group and the IASB's decisions following these discussions. No decisions were taken.

IASB Publication *Equity Method in Separate Financial Statements*

EFRAG TEG considered the feedback received in response to EFRAG's Draft Endorsement Advice on the adoption of the amendments. In general, constituents agreed with EFRAG's initial assessment that the Amendments met the technical criteria for endorsement and that EFRAG should recommend their endorsement. Considering the initial assessment and the responses received, EFRAG TEG members agreed to recommend the endorsement of the Amendments to the EFRAG Board.

Nonetheless, one EFRAG TEG member decided to maintain their dissenting view, included in appendix 4 of the Draft Endorsement Advice, and one other EFRAG TEG member highlighted that EFRAG, together with its partners, had recently issued a Discussion Paper on *Separate Financial Statements* which demonstrated that there was a need for the IASB to consider, as part of its research activities, the role of separate financial statements and the challenges that arise in practice to those who prepare and use separate financial statements.

IASB Exposure Draft *Classification and Measurement of Share-based Payment Transactions*

EFRAG TEG recommended a draft comment letter on the Exposure Draft to the EFRAG Board. The letter supports the amendments, but said EFRAG did not believe it was correct to categorise one of the amendments as an 'exception' to the general principles of IFRS 2. The letter also suggested that the IASB undertake a general review of IFRS 2 rather than multiple narrow-scope amendments.

IASB Project *Insurance Contracts*

EFRAG TEG members received an update on the IASB's November educational session provided by representatives of the CFO Forum relating to the alternative approach for contracts with participating features.

IASB Project *Disclosure Initiative*

EFRAG TEG received an update on current developments in the IASB project including the tentative decisions taken by the IASB at its October and November meetings on the 'principles of disclosures' and 'materiality' research projects. No decisions were taken.

EFRAG TEG discussed an issues paper on forthcoming proposed narrow scope amendments to IAS 1 *Presentation of Financial Statements* on the Classification of liabilities and IAS 7 *Statement of Cash Flows* on the reconciliation of liabilities related to financing activities.

EFRAG Research Project *Cash Flow Statements for Financial Institutions*

At its December 2014 meeting, EFRAG TEG members discussed an issues paper on cash flow statements for financial institutions.

EFRAG TEG decided that the issues paper should be turned into an EFRAG Short Discussion Series paper with a view to consulting constituents.

EFRAG TEG – Conference Call on 16 December

EFRAG TEG held a conference call on 16 December and discussed:

- IASB Publication *Annual Improvements to IFRSs – 2012-2014 Cycle*
- IASB Exposure Draft *Recognition of Deferred Tax Assets for Unrealised Losses*

IASB Publication *Annual Improvements to IFRSs – 2012-2014 Cycle*

EFRAG TEG approved its advice to the EFRAG Board on EFRAG's final endorsement advice relating to the use of the amendments in the European Union and European Economic Area. EFRAG TEG's assessment is that the amendments satisfy the technical criteria for endorsement.

EFRAG's endorsement advice letter and effects study report to the European Commission will be finalised by the EFRAG Board.

IASB Exposure Draft *Recognition of Deferred Tax Assets for Unrealised Losses*

EFRAG TEG discussed the comments received in response to the draft comment letter on the proposed amendments. EFRAG TEG agreed its recommendation to the EFRAG Board on the content of the final comment letter. EFRAG TEG recommend supporting the proposals but suggest a number of improvements in the wording of the proposed amendments.