



October 2017

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.

October Publications

Draft Endorsement Advice

On 18 October, EFRAG published a draft endorsement advice letter and a separate invitation to comment relating to the endorsement for use in the EU of the IASB's Publication *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. Comments are requested by 2 November 2017. For more details, please see the [EFRAG website](#).

Final Comment letter

On 12 October, EFRAG published its comment letter in response to the IASB's Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*. For more details, please see the [EFRAG website](#).

Draft Comment letter

On 2 October, EFRAG published its draft comment letter in response to the IASB's Exposure Draft ED/2017/6 *Definition of Material*. Comments are requested by 5 January 2018. For more details, please see the [EFRAG website](#).

Feedback Statement and Summary Report

On 5 October, EFRAG published a feedback statement following the publication of its final comment letter on the IASB's Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)*. For more details, please see the [EFRAG website](#).

On 6 October, EFRAG published a summary report on the academic workshop it hosted on 5 September 2017. The objective of the workshop was to debate ideas on some of the main issues around measurement (e.g. uncertainty and discounting) and how these could be investigated. For more details, please see the [EFRAG website](#).

On 19 October, EFRAG published a summary report on the joint user outreach event organised together with EFFAS, the IASB, the AIAF and the OIC in Milan on 18 September 2017. The event covered discussions on Better Communication in Financial Reporting, Goodwill and Insurance Contracts. For more details, please see the [EFRAG website](#).

On 27 October, EFRAG published a summary report on the joint stakeholder conference organised together with the OIC in Rome on 9 October 2017. The event covered discussions on Impact Analysis and Better Communication in Financial Reporting. For more details, please see the [EFRAG Website](#).

Open Consultations

EFRAG open public consultations:

Title and description	Closing date
EFRAG's Draft Endorsement Advice and Invitation to Comment on Prepayment Features with Negative Compensation (Amendments to IFRS 9)	2 November 2017
EFRAG's Draft Comment Letter on IASB's Exposure Draft ED/2017/5 Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)	7 December 2017
EFRAG's Discussion Paper Goodwill impairment test: can it be improved?	31 December 2017
EFRAG's Draft Comment Letter on IASB's Exposure Draft ED/2017/6 Definition of Material (Proposed amendments to IAS 1 and IAS 8)	5 January 2018

October 2017 meetings and conference calls

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

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

Detailed meeting reports

EFRAG Board meeting on 10 October

The EFRAG Board [met on 10 October](#) and discussed the following:

- IFRS 17 *Insurance Contracts*;
- IASB Discussion Paper DP/2017/1 *Disclosure Initiative – Principles of Disclosure*;
- EFRAG research programme; and
- EFRAG work plan.

IFRS 17 *Insurance Contracts*

The EFRAG Board considered the first of a series of education sessions on the requirements of IFRS 17, and a presentation from the CFO of Generali on their strategic view of IFRS 17.

No decisions were taken at the meeting.

IASB Discussion Paper DP/2017/1 *Disclosure Initiative – Principles of Disclosure*

The EFRAG Board considered a final comment letter on the IASB's *Principles of Disclosure* Discussion Paper and approved the letter after making some clarifications of the messages and minor editorial amendments.

EFRAG research programme and EFRAG technical work plan

These agenda items were deferred to the November meeting.

EFRAG Board – October written procedures

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

- EFRAG's draft endorsement advice on IASB's Publication *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*.

EFRAG Board – Expected November written procedures

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

- EFRAG's draft endorsement advice on the IASB's Publication *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*; and
- EFRAG's final endorsement advice on IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*.

EFRAG's final comment letter the IASB's Exposure Draft ED/2017/4 *Property, Plant and Equipment: Proceeds before Intended Use (Proposed amendments to IAS 16)* will be considered by the EFRAG Board in the public meeting on 9 November.

EFRAG TEG conference call on 17 October

At its [conference call on 17 October](#), EFRAG TEG discussed the following topic:

IASB Publication *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

EFRAG TEG agreed to recommend to the EFRAG Board, subject to drafting improvements, a draft endorsement advice and invitation to comment supporting the endorsement of the amendments.

EFRAG TEG meeting on 25-26 October

At its [meeting on 25 and 26 October](#), EFRAG TEG discussed:

- IFRS 17 *Insurance Contracts*;
- IASB Publication *Long-term interests in associates and joint ventures (Amendments to IAS 28)*;
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*;
- IASB Exposure Draft ED/2017/4 *Property, Plant and Equipment: Proceeds before Intended Use (Proposed Amendments to IAS 16)*;
- IASB Publication *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* – Modification of financial liabilities;
- IASB Project *Rate-regulated Activities*;
- EFRAG Research Project *Equity Instruments - Impairment and Recycling*.

IFRS 17 *Insurance Contracts*

EFRAG TEG discussed some issues raised by the EFRAG IAWG with regards to IFRS 17. EFRAG TEG members requested further analysis of some of the issues for consideration at future EFRAG TEG meetings in the context of the assessment of IFRS 17 against the endorsement criteria.

EFRAG TEG also considered the input received from the EFRAG IAWG questionnaire relating to current accounting practices for insurance contracts. EFRAG TEG members requested the EFRAG IAWG to provide more information regarding the unit of account, the identification of onerous contracts and the long-term liability-driven business model.

The IFRS 17 education session was deferred to the next EFRAG TEG meeting.

No decisions were taken at the meeting.

IASB Publication *Long-term interests in associates and joint ventures (Amendments to IAS 28)*

EFRAG TEG discussed how the IASB has addressed the issues raised and recommendations made by EFRAG in its comment letter on the Exposure Draft that led to the amendments to IAS 28. EFRAG TEG also had an initial discussion on the draft endorsement advice letter on the amendments. EFRAG TEG suggested improvements to the letter and will consider a revised version at its conference call on 8 November.

No decisions were taken at the meeting.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

EFRAG TEG considered the comments received in response to its draft endorsement advice and agreed to recommend to the EFRAG Board a final endorsement advice supporting the adoption of IFRIC 23.

IASB Exposure Draft ED/2017/4 *Property, Plant and Equipment: Proceeds before Intended Use (Proposed Amendments to IAS 16)*

EFRAG TEG considered the feedback received in response to EFRAG's draft comment letter. EFRAG TEG members noted that constituents' views were mixed and themselves expressed mixed views on whether the proposals in the ED should be supported. Some EFRAG TEG members supported the proposals in the ED on the basis that they would reduce diversity in practice and address a long-standing tension between IAS 16 and the revenue recognition requirements of IFRS Standards. Other EFRAG TEG other members were concerned that the scope of the proposed amendments was too broad and could have unintended consequences. These members considered various other approaches that the IASB could pursue as an alternative to the proposals in the ED, including:

- focusing on clarifying when an item of property, plant and equipment should be regarded as available for use instead of on the proceeds generated before that point;
- addressing only the issue that was submitted to the IFRS Interpretations Committee with regards to proceeds received in excess of the cost of testing, along with clarifying the meaning of testing as proposed in the ED; or
- undertaking a broader project, subject to evaluation against the IASB's agenda criteria, in order to more fully consider the underlying conceptual issues such as whether cost is a gross or a net amount.

EFRAG TEG decided, on the Chairman's casting vote, to recommend to the EFRAG Board a final comment letter supporting the proposals in the ED. However, in view of the mixed views expressed, the EFRAG TEG Chairman indicated that the EFRAG Board would be asked to consider the final position in a public meeting instead of by written procedure.

IASB Publication *Prepayment Features with Negative Compensation (Amendments to IFRS 9) – Modification of financial liabilities*

EFRAG TEG discussed whether and how EFRAG should address the inclusion of a paragraph, in the Basis for Conclusions of the recently published amendments, discussing modifications of financial liabilities. EFRAG TEG asked the EFRAG TEG Chairman to convey their view to the EFRAG Board that no action was required in this case, but the status of various forms of guidance provided by the IASB should be considered as part of the ongoing discussion on consistent application of IFRS Standards.

IASB Project *Rate-regulated Activities*

EFRAG TEG considered the scope of the project on accounting for rate-regulated activities and the limited research work conducted by the EFRAG Secretariat on the potential implications of the scope of defined rate regulation on activities outside the utilities sector.

EFRAG TEG members were generally supportive of the IASB's tentative definition of defined rate regulation. Some EFRAG TEG members made suggestions to strengthen and clarify the wording in the definition, noting that the scope was an important aspect of the project.

EFRAG TEG members also suggested to further research the impact of the scope on other activities that might be subject to defined rate regulation.

No decisions were taken at the meeting.

EFRAG Research Project *Equity Instruments - Impairment and Recycling*

EFRAG TEG received an update on the feedback received by EFRAG in its public consultation on investments in equity instruments in Europe. The consultation was launched in connection with the first ('problem definition') phase of the request for technical advice from the European Commission in relation to the accounting requirements of investments in equity instruments under IFRS 9 *Financial Instruments*, and whether these requirements could affect long-term investing. EFRAG TEG also considered the outline of a publication for the second phase of the request for technical advice from the European Commission.

No decisions were taken at the meeting.