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IFRS 9 PIR *Classification and Measurement* – Equity OCI Election – EFRAG outreach Issues Paper

Background

1 EFRAG FRB discussed on equity instruments and OCI presentation election at its meeting on 14 July 2022. In this meeting, **EFRAG FRB suggested to the EFRAG Secretariat to proactively work on the development of a possible impairment model**, as a possible way to reduce an impediment to a future eventual reintroduction of recycling.

2 This paper summarises the outreach conducted by EFRAG from the Endorsement Advice on IFRS 9 *Financial Instruments* to date on the topic, with a focus on the proposed solutions for an alternative impairment model and asks EFRAG FR TEG-CFSS members for their preliminary views on the possible ways forward.

Structure of this paper

3 This paper is structured as follows:

(a) EFRAG Endorsement Advice on IFRS 9 *Financial Instruments*;

(b) EFRAG technical advice on the accounting treatment of equity instruments under IFRS 9 from a long-term investment perspective (2018);

(c) EFRAG technical advice on alternative accounting treatments for long-term equity investments (2020);

(d) IFRS 9 Post-implementation Review – *Classification and Measurement*;

(e) The EFRAG Secretariat preliminary analysis; and

(f) Questions for EFRAG FR TEG-CFSS.

4 Some alternative measurement concepts are presented in Appendix 1.

EFRAG Endorsement Advice on IFRS 9 *Financial Instruments*

5 In its Endorsement Advice on IFRS 9, EFRAG noted the following:

(a) The prohibition of recycling the gains or losses for equity instruments may affect the ability of users to easily assess the performance of the entity's investment activities by relying on profit or loss. In addition, the absence of recycling even when the instruments can be deemed impaired may not appropriately reflect an entity's performance in the view of those investors who expect to have all impairment losses included in profit or loss.

(b) The measurement requirements for equity instruments measured at FVOCI may have limitations for the reporting performance by some long-term investors, even if their investments strategies are not expected to be significantly affected.

(c) On the other hand, this treatment avoids the complexity of an additional impairment model for equity investments and addresses the identified problems with the IAS 39 model (difficult to apply and diversity in practice).

IFRS 9 from a long-term investment perspective (2018)

6 On 29 May 2017, the European Commission (EC) requested EFRAG to investigate the potential effects of the requirements of IFRS 9 on accounting for investments in equity instruments for long-term investments. EFRAG reported its findings in January 2018.

7 The EC also requested EFRAG to assess, from a conceptual perspective, the significance of an impairment model to the re-introduction of recycling and, if so, to consider how the impairment model under IAS 39 for equity instruments could be improved or to propose other impairment approaches. EFRAG reported its findings in November 2018.

8 As part of its due process to develop this response, in March 2018 EFRAG published the Discussion Paper *Equity Instruments – Impairment and Recycling* (DP). In August 2018, EFRAG published the Summary of Responses. Fifty-three comment letters were received in response to the DP.

9 The DP illustrated two models for equity instruments carried at FVOCI:

(a) a revaluation model, in which all declines in fair value below the acquisition cost would be immediately recognised in profit or loss and changes in fair value above the acquisition cost would be recognised in OCI and recycled on disposal; and

(b) an impairment model similar to the model of IAS 39 for equity instruments classified as available-for-sale (AFS), but with additional guidance to reduce subjectivity.

10 Bearing in mind the focus on the proposed solutions for an alternative impairment model, the main points of the outcome of the consultation were the following:

(a) An overwhelming majority of respondents agreed that recycling should be accompanied by an impairment model.

(b) Twenty of the thirty-one respondents who expressed a preference about an impairment model were in favour of a sort of IAS 39 model, while six respondents expressed their support for the revaluation model.

(c) The main arguments provided in favour of a model similar to the previous IAS 39 were:

(i) it would distinguish between permanent declines in the fair value of the underlying equities versus their short-term market-driven fair value changes;

(ii) it would avoid the unintended volatility in profit or loss, when the current fair value falls below the original cost; and

(iii) it would allow the application of an impairment approach for equity instruments that was consistent with the one for debt instruments measured at FVOCI.

(d) The main arguments provided against the revaluation model proposed were:

(i) the approach would result in short-term value decreases being recognised in profit or loss, which would not provide relevant information for users;

(ii) the information would not be relevant as there would be no assessment of the factors causing the impairment or consideration of the characteristics of the equity portfolios; and

(iii) it would a be source of volatility, in contradiction with their long-term investment strategies.

(e) Of those that supported the use of quantitative impairment triggers or rebuttable presumptions, mostly preparers and two National Standard Setters preferred that entities would set them. The reasons for entity defined triggers included:

(i) a single bright line approach might not be appropriate in all circumstances or for all entities;

(ii) it would be more principles-based; and

(iii) it would allow for consideration of the characteristics of the business model or portfolio and relevance was more important than comparability.

(f) Those in favour of quantitative triggers set in the Standard argued that it was more operational and achieved comparability between entities and over time.

(g) Some of the respondents remarked that any quantitative trigger included should be accompanied by some rebuttable presumption. Some added that a combined approach with the standard defining a maximum threshold would be their second choice, if it was considered necessary to enhance a comparability among entities.

(h) Those respondents that opposed the use of quantitative triggers argued that:

(i) specific judgement must be exercised to convey the correct information;

(ii) impairment would become rule-based;

(iii) it would fail to provide relevant information in certain circumstances; and

(iv) management should determine impairment criteria that apply to a dedicated portfolio.

(i) In the absence of quantitative triggers, one respondent suggested that comparability might be improved by the development of illustrative and specific guidance on the meaning of both ‘significant’ and ‘prolonged’ in well-defined situations combined with improved disclosure. Another respondent noted that allowing for the reversal of an impairment may improve comparability.

(j) As an alternative to the two models illustrated in the DP, some preparers have suggested an impairment model based on value in use or, similarly, an impairment model based on recoverable amount. One constituent has suggested a model where a reduction of the dividend pay-out would be the impairment trigger.

(k) The French standard setter proposed a third approach based on the following principles:

(i) Focus on the “prolonged” criterion as it was a better approximation of what was a “realised” loss than a materiality threshold that could revert over time;

(ii) The prolonged criterion was proposed to be implemented as follows:

- any decline in value below cost over a period longer than a defined threshold period would trigger immediate impairment;
- any major event leading to a significant decline in value would have to be investigated at reporting date to determine whether a recovery above cost is highly probable before the end of the threshold period.

(iii) Reversal of the impairment could be authorised based on a symmetric approach encompassing a probationary period (consistent with the "realised vs unrealised" principle, providing less P&L volatility, conceptually consistent with the use of an impairment trigger threshold, but more complex to implement); or automatic for any subsequent increase in value (as a practical expedient for entities having a significant equity instrument portfolio).

11 In April 2018, the IASB commented the DP. In its answer, the IASB noted that the impairment test in IAS 39 for equity investments was notoriously ineffective and practice has long cited those requirements as a problematic area. History has shown that companies can be very reluctant to recognise losses indicated by market prices and the question of identifying the point in time when equity investments are impaired has been a vexed one that was a source of great complexity during the recent global financial crisis. Applying IAS 39, in order to determine whether an equity investment is impaired, a company must decide whether a decline in the investment's value is 'significant' or 'prolonged'. In practice, losses were often recognised too late, and this is exactly the same problem that the 'incurred loss' impairment model in IAS 39 has more generally.

EFRAG technical advice on alternative accounting treatments for long-term equity investments (2020)

12 In June 2018, the EC asked EFRAG to consider alternative accounting treatments to measurement at FVPL for equity instruments. Possible accounting treatments should properly portray the performance and risks of long-term investment business models, in particular for those equity and equity-type investments that are much needed for achieving the *UN Sustainable Development Goals* and the goals of the *Paris Agreement on Climate Change*. EFRAG reported its findings in January 2020.

13 In order to respond to the EC's request, EFRAG launched a public consultation in the form of a survey in May 2019. EFRAG received sixty-three responses to this survey and summarised the messages received from constituents in a feedback statement. EFRAG has also developed a supporting material.

14 EFRAG advised that the EC recommend to the IASB an expeditious review of the non-recycling treatment of equity instruments within IFRS 9, testing whether the *Conceptual Framework* would justify the recycling of FVOCI gains and losses on such instruments when realised. If recycling was to be reintroduced, the IASB should also consider the features of a robust impairment model, including the reversal of impairment losses.

15 The majority of respondents (52% of the total respondents or 78% of those who responded that there was a need for an alternative accounting treatment) which called for an alternative accounting treatment, particularly from the financial sector, supported fair value measurement of equity and equity-type instruments in the statement of financial position but called for the reintroduction of recycling in the FVOCI approach.

16 Many respondents (25% of the respondents that addressed the relevant question) acknowledged the need for a robust impairment model if equity instruments were to be accounted for at FVOCI with recycling. When referring to specific impairment

models, many respondents (28% of the respondents that addressed the relevant question) considered that an improved version of the IAS 39 impairment model could be used as a way forward. These respondents considered that:

(a) A robust impairment model can be developed without undue costs by using IAS 39 as a starting point but with additional guidance to reduce subjectivity;

(b) IAS 39 impairment model appropriately reflects the business intention of a long-term investor for minority stakes in equity investments. A decline in fair value should be recognised in profit or loss if the decline is based on an adverse change in the environment of the equity investment. Usually, the investing entity is best-known for assessing whether a decline in fair value is sustainable and consequently shall be recognised in profit or loss instead of OCI; and

(c) An impairment model should be based on everything that is known and a new assessment of the situation should be made when the entity does not expect that it will be able to recover the capital invested.

17 Respondents that suggested improvements to the impairment model referred to:

(a) Improved definition and criteria for the notion of “significant or prolonged decline”. The majority of respondents (70% of the respondents that addressed the relevant question) referred to the use of thresholds. For example:

   (i) a simple way to address the issues that arise in practice would be to set a rules-based definition of ‘prolonged’ that grants comparability and is simple to understand for instance, 12 months. A more principles-based solution would be to leave room for the entity to define its own criterion and explain it in the notes to the financial statements. Such judgmental threshold would be capped by anti-abuse rules (such as a one-year threshold);

   (ii) IAS 39 could be made less subjective if thresholds for ‘significant’ or ‘prolonged’ were defined. A ‘significant’ decline could be defined as a specific percentage decline from the acquisition cost and ‘prolonged’ as a specific time period where the fair value has been below the acquisition cost. IFRS Standards could specifically define quantitative thresholds for both terms and reporting entities could select a threshold within the limit;

   (iii) introduction of 'triggers', such as a 'significant deterioration of the credit quality' of the issuer or, for quoted stock, a decrease of the stock price that is strong and permanent;

   (iv) an impairment test threshold for impairment could be related to Solvency II thresholds for equity holdings;

   (v) enhance IAS 39 with additional quantitative rules on the definition of 'significant or prolonged' criterion, for example recognising impairments when unrealised losses are greater than 20% of the historical cost or for more than 6 months. Having such clear limited and prudent bright lines would be a guarantee of a robust impairment model;

   (vi) support the inclusion of rebuttable quantitative impairment triggers in an impairment model determined by management. IFRS 9 could however provide additional guidance on the meaning of 'significant' or 'prolonged'. For example, the reporting entity would need to specify its impairment triggers and to disclose the applied valuation rules, including the quantitative impairment triggers, in the notes to the financial statements; and

   (vii) best way to achieve a consistent application of the standard is to introduce thresholds (thresholds set by the standard, not by companies).

(b) Allow the reversals of impairment losses. Many respondents (25% of the respondents that addressed the relevant question) also considered that reversals of impairments should be allowed (improvements to IAS 39). These respondents argued that:

(i) the notion of 'once impaired always impaired' does not properly reflect the economic reality and is incorrect from a transparency perspective;

(ii) the prohibition under IAS 39 to reverse in profit or loss previously booked impairment losses ('once impaired always impaired' rule) leads to an asymmetric treatment of significant or prolonged decreases and increases in the fair value of equity instruments);

(iii) the enhanced impairment model should allow reversals under the same conditions used when the asset has been impaired; and

(iv) reversal of the impairment would either be automatic for any subsequent increase in value above triggers to be defined or follow a symmetrical approach to the impairment model taking into account external and internal indicators that the impairment loss no longer exists or has decreased.

(c) Additional disclosures, including on methodology.

(d) A common methodology for the determination of recoverable amount should be provided.

(e) A portfolio approach could be considered in order to align the impairment with the unit of account used for managing the performance and the diversification effect.

18 In the supporting material, EFRAG illustrated possible alternatives to the impairment model other than the qualitative model of IAS 39. Namely:

(a) **Qualitative IFRS 9 impairment model:** the IFRS 9 model for debt instruments is based on the concept of 'significant increase in credit risk since initial recognition' of an instrument, and the forward-looking approach to expected loss. Through a comprehensive review of impairment models, it may be possible to identify variables commonly associated with equity valuation that are appropriate to use as impairment triggers. The variables would not be used for measurement purposes because their role is not to provide a fair value alternative to market prices; but to identify factors that can be associated with equity valuation in the same way a significant increase in credit risk is used to assess the impairment of debt instruments (no respondent supported a qualitative IFRS 9 impairment model).

(b) **Approach based on indicators in IAS 36:** for assets that are subject to annual depreciation or amortisation, IAS 36 *Impairment of Assets* requires an entity to assess if an impairment loss may have occurred based on a number of indicators. If there is an indication of impairment loss, an entity is required to determine the recoverable amount of that asset. IAS 36 provides a list of external and internal indicators of impairment. A similar approach could be developed for impairment of equity instruments (no respondent commented on the IAS 36 impairment model).

(c) **Quantitative impairment triggers:** in an impairment model using quantitative triggers the concept of "significant or prolonged" would be similar to the model of IAS 39 equity instruments classified as AFS. However, the entity would apply quantitative triggers which would reduce the extent of judgement exercised in assessing whether a decline in fair value below cost represents objective evidence of an impairment loss. This would enhance comparability

(across entities and over time). Any quantitative trigger included could be expressed as a rebuttable presumption.

19 Some respondents proposed quantitative triggers. Suggestions for quantitative triggers included:

(a) a "significant" decline could be defined as a specific percentage of decline of acquisition cost, for example unrealised losses that are greater than 20% of cost;

(b) "prolonged" could be defined as a specific time period where fair value has been below acquisition cost, for example longer than 6 months;

(c) an approach similar to the Solvency II thresholds for equity instruments; and

(d) requiring the entity to specify and disclose its quantitative impairment triggers.

IFRS 9 Post-implementation Review – *Classification and Measurement*

20 As reported in paragraph 2 of Agenda Paper 04-02, EFRAG issued its comment letter in response to the IASB Request for Information – *Post-implementation Review of IFRS 9 Classification and Measurement* in January 2022.

21 Recalling the previous outreach conducted in order to issue the technical advice for the EC, EFRAG reiterated the need to review the non-recycling treatment of equity instruments within IFRS 9 and the need of a robust impairment model, including the reversal of impairment losses.

22 EFRAG acknowledged the challenges to find a conceptual solution for a robust impairment model and noted that some preparers respondents to the consultation have suggested a practical approach to strengthen comparability, using rebuttable quantitative impairment triggers in an impairment model for FVOCI.

23 IASB received ninety-five comment letters on its Request for Information. Eighteen respondents[1] from outside the European Union asked explicitly IASB to modify the current OCI presentation election for equity instruments. On the other hand, twelve respondents[2] were explicitly in favour of the current accounting (without recycling).

24 Two European respondents (GDV and Assuralia) illustrated a proposal for the impairment model in their comment letters. Both suggested an impairment model according to the IAS 39 that adds quantitative triggers to the concept of "significant or prolonged" (i.e., the loss would be recognised in profit or loss if the current fair value falls 20% below the acquisition cost or the current far value has remained below the acquisition cost for more than the last 9 consecutive months).

The EFRAG Secretariat preliminary analysis

25 The outreach conducted by EFRAG highlighted the preference of respondents for an impairment model similar to the IAS 39 but with quantitative thresholds or more guidance in order to better define what is meant by "significant or prolonged". This approach could be easy to apply and it would increase the comparability of financial statements. On the other hand, it is not in line with the principle-based philosophy of the IASB and does not respond to the concern that losses were often recognised too late.

26 The challenge represented by developing an impairment model for equity instruments measured at FVOCI is connected to the need to identify a mechanism that identifies

[1] SAICA (South Africa), FirstRand (South Africa), Ministry of Finance – China (China), Barclays (UK), IASD (UK), Mazars (UK), ASC (Singapore), Capital Market Authority (Saudi Arabia), SOPCA (Saudi Arabia), JICPA (Japan), ASBJ (Japan), JBA (Japan), LIAJ (Japan), Japan Business Federation (Japan), MICPA (Malaysia), KASB (Korea), IAI (Indonesia), and CLHIA ACCAP (Canada)

[2] CPA (Hong Kong), Thailand Federation of Accounting Professions (Thailand), MASB (Malaysia), ACSB (Canada), KPMG (Canada), HSBC (UK), ICAEW (UK), Grant Thornton (UK), BDO (UK), NASB (Norway), Chartered Accountants Ireland (Ireland), and IPA (Australia).

when a loss must be recognised in profit or loss (and when its reversal must be recognised). Furthermore, it is difficult to draw a notion of impairment for equity instruments from other IFRS Standards, because of the fair value measurement attribute of equity instruments carried at FVOCI. In IAS 36, impairment is a negative difference between the carrying amount of an asset and its recoverable amount – with the second being close to a present value. However, equity instruments are already carried at fair value.

27 Other approaches could be potentially considered as an alternative. For instance, where there is some form of relationship between equity holders and certain liabilities (i.e., insurance companies invest in equities to generate cash inflows used to settle their insurance liabilities), an accounting approach could allow, to the extent possible, to mitigate the impact and the volatility in profit or loss using the same measurement criteria for the related assets and liabilities.

28 Another hypothetical way forward could be to develop an impairment model that draws distinction among different types of declines in fair value. One basis could be to differentiate between declines attributable mostly to factors that specifically affect the issuer's perspective for future cash flows – the economic perspectives of the issuer and those attributable mostly to macroeconomic or general market conditions. Another could be to draw the line between declines expected to persist over time and those expected to reverse in future.

29 The EFRAG Secretariat is aware that development of a workable solution along these lines would require solving a number of significant operational issues.

Questions for EFRAG FR TEG-CFSS

30 Does EFRAG FR TEG-CFSS have any comments on EFRAG's past outreach on proposed solutions for an alternative impairment model for equity instruments measured at FVOCI?

31 Does EFRAG FR TEG-CFSS have any suggestion on how an alternative impairment model for equity instruments measured at FVOCI could be developed? Please explain.

32 Does EFRAG FR TEG-CFSS have any preliminary views on the possible ways forward?

Appendix 1 – Some alternative measurement concepts

Note	FV in BS	Recognition of FV changes	Recognition of dividend	Recognition of OCI in PL on realisation	Impairment	Reversal of impairment	"Write-off"*
1	Yes	PL	PL	NA	NA	NA	NA
2	Yes	OCI	PL**	No	NA	NA	No
3	Yes	OCI	PL	Yes	Yes	Yes	No
4	Yes	OCI	PL	Yes	Yes	No	No
5	Yes	OCI	PL	Yes	No	NA	Yes
6	Yes	OCI	OCI	Yes	Yes	Yes	No
7	Yes	OCI	OCI	Yes	Yes	No	No
8	Yes	OCI	OCI	Yes	No	NA	Yes
9	Yes	OCI for accumulated gains/PL for accumulated losses	PL	Yes	NA	NA	NA

* When the entity has no reasonable expectations of recovering the cost of an equity instrument in its entirety or a portion thereof (inspired by IASB 9.5.4.4).
** Unless the dividend clearly represents a recovery of part of the cost of the investment (IFRS 9.B5.7.1)

1. **This is FVPL in IFRS 9.**
   Positive:
   - Profit is reported in the period when the change in fair value occurs.
   - No need for impairment model.
   - No need for concept of realisation.
   - No need for a concept of hedge accounting.
   Negative:
   - Possible presentation of unrealised volatility in earnings.
   - Presentation of dividend in PL creates recirculation between PL lines.

2. **This is FVOCI in IFRS 9.**
   Please not that on reclassification to FVPL accumulated amounts in OCI shall be reclassified within equity (IFRS 9.5.6.7). Please not that on realisation accumulated amounts in OCI may be reclassified within equity (IFRS 9.B5.7.1). Please not that on realisation accumulated amounts in OCI shall be disclosed (IFRS 7.11B(c)).
   Positive:
   - Value changes do not create volatility in earning.
   Negative:
   - Implies that dividend is indicating profit.
   - Need to split between dividend that is reported in PL and dividend that is repayment of investment.
   - Does not present value changes in profit or loss.
   - Do not have a concept of writhe-off for realisation.
   - Complicated concept needed for hedge accounting.
   - Inconsistent concept of realisation (dividend versus no writhe-off and no reversal of OCI on realisation).

- Accumulated changes in FV not expected to be reported in accumulated PL.

3. **This is a model that has been recommended by many.**
The impairment model must be based on reduced expected cash flows as it is foreseen that the impairment may reverse. The impairment is thus not connected to a realisation concept. Conceptually the model is complicated.
Positive:
- Value changes from unrealised gains do not create volatility in earning.
- Losses from unrealised impairments are reversed when no longer relevant.
- Accumulated gains or losses has been presented in PL on realisation.
Negative:
- Implies that dividend is indicating profit.
- Need to split between dividend that is reported in PL and dividend that is repayment of investment.
- Does not present value changes in profit or loss.
- Do not have a concept of writhe-off for realisation.
- Complicated concept needed for hedge accounting.
- Inconsistent concept of realisation (dividend versus no writhe-off and impairment and reversal of impairment with no realisation).
- Disconnect between the period that value change occurs and the period it is presented in PL.
- Difficult to develop a conceptually consistent and practically applicable impairment model.

4. **This is Available for Sale in IAS 39.**
Positive:
- Value changes from unrealised gains do not create volatility in earning.
- Unrealised losses that are no longer expected to be avoided are recognised in PL.
- Accumulated gains or losses has been presented in PL on realisation.
Negative:
- Implies that dividend is indicating profit.
- Need to split between dividend that is reported in PL and dividend that is repayment of investment.
- Does not present value changes in profit or loss.
- Do not have a concept of writhe-off for realisation.
- Complicated concept needed for hedge accounting.
- Inconsistent concept of realisation (dividend versus no writhe-off and impairment with possibly no realisation).
- Disconnect between the period that value change occurs and the period it is presented in PL.
- Includes the conflict between a conceptually consistent and a practically applicable impairment model.

5. **This is close to IAS 39 but focusing more on realised gains or losses**
Positive:
- Value changes from unrealised gains or losses do not create volatility in earning.
- Realised losses that are recognised in PL independent on the occurrence of a transaction.
- Accumulated gains or losses has been presented in PL on realisation.
Negative:
- Implies that dividend is indicating profit.
- Need to split between dividend that is reported in PL and dividend that is repayment of investment.
- Does not present value changes in profit or loss.
- Complicated concept needed for hedge accounting.

- Inconsistent concept of realisation (dividend versus no writhe-off and impairment with possibly no realisation).
- Disconnect between the period that value change occurs and the period it is presented in PL
- Need a concept of realised value losses.

6. **This is a modification of the model that has been recommended by many.** The impairment model must be based on reduced expected cash flows as it is foreseen that the impairment may reverse. The impairment is thus not connected to a realisation concept. Conceptually the model is complicated. Dividend inconsistency of model 5 is eliminated.
Positive:
- Value changes from unrealised gains do not create volatility in earning.
- Losses from unrealised impairments are reversed when no longer relevant.
- Accumulated gains or losses has been presented in PL on realisation.
Negative:
- Does not present value changes in profit or loss.
- Do not have a concept of writhe-off for realisation.
- Complicated concept needed for hedge accounting.
- Inconsistent concept of realisation (impairment and reversal of impairment with no realisation).
- Disconnect between the period that value change occurs and the period it is presented in PL.
- Difficult to develop a conceptually consistent and practically applicable impairment model.

7. **This is Available for Sale in IAS 39, but without the inconsistencies related to dividends.**
Positive:
- Value changes from unrealised gains do not create volatility in earning.
- Unrealised losses that are no longer expected to be avoided are recognised in PL.
- Accumulated gains or losses has been presented in PL on realisation.
Negative:
- Does not present value changes in profit or loss.
- Do not have a concept of writhe-off for realisation.
- Complicated concept needed for hedge accounting.
- Inconsistent concept of realisation (impairment with possibly no realisation).
- Disconnect between the period that value change occurs and the period it is presented in PL.
- Includes the conflict between a conceptually consistent and a practically applicable impairment model.

8. **This is a conceptually purer model focusing on realised gains or losses.**
Positive:
- Value changes from unrealised gains or losses do not create volatility in earning.
- Realised losses that are recognised in PL independent on the occurrence of a transaction.
- Accumulated gains or losses has been presented in PL on realisation.
Negative:
- Does not present value changes in profit or loss.
- Disconnect between the period that value change occur and the period it is presented in PL.
- Need a concept of realised value losses.
- To be conceptually very pure a concept of gains realised before disposal might be

required.

9. **This is the revaluation model presented by EFRAG in the March 2018 Discussion Paper *Equity Instruments – Impairment and Recycling***
Positive:
- No need for impairment model.
- No need for concept of impairment or writhe-off.
- Value changes from unrealised gains do not create volatility in earning.
- Realised losses that are recognised in PL independent on the occurrence of a transaction.
- Accumulated gains or losses has been presented in PL on realisation.
Negative:
- Value changes from unrealised losses do create volatility in earning.
- Disconnect between the period that value change occurs and the period it is presented in PL.
- Presentation of dividend in PL creates recirculation between PL lines.
- Causes asymmetric accounting for offsetting positions.