EFRAG

European Financial Reporting Advisory Group

EFRAG's Final Letter to the European Commission Regarding Endorsement of *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*

Jonathan Faull
Director General, Financial Stability, Financial Services and Capital Markets Union
European Commission
1049 Brussels
22 July 2015

Dear Mr Faull

Adoption of *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards we are pleased to provide our opinion on *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)* ('the Amendments'), which were issued by the IASB on 18 December 2014. The Amendments were issued as an Exposure Draft on 11 June 2014 and EFRAG published its comment letter on that Exposure Draft on 1 October 2014.

The objective of the Amendments is to clarify certain aspects of the accounting requirements for entities that qualify as investment entities under IFRS 10 *Consolidated Financial Statements*. The Amendments also provide relief in certain circumstances, which will reduce the costs to preparers of applying IFRS. The Amendments are summarised in Appendix 1.

In addition to the relief provided, EFRAG considers that the Amendments provide clarity on the application of the consolidation exception in IFRS 10 which was introduced in the original amendments to IFRS 10, IFRS 12 and IAS 27 issued by the IASB in 2012 and endorsed in 2013 (the original *Investment Entities* amendments). That is, the Amendments clarify the intention of the IASB in issuing the original *Investment Entities* amendments.

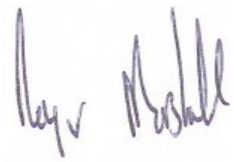
In EFRAG's view, the concerns expressed by some constituents in relation to the potential loss of information for users of financial statements arise more from the original *Investment Entities* amendments than the clarifications made by these Amendments. Further, EFRAG understands that only a relatively limited number of European entities will be affected by the Amendments.

Consequently, EFRAG has concluded that the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management. EFRAG's reasoning is explained in Appendix 2.

Having considered all relevant aspects, EFRAG assesses that adopting the Amendments is conducive to the European public good in reducing costs to preparers by providing certainty in the application of relevant IFRS and accounting relief without imposing significant additional costs on users. Accordingly, EFRAG recommends their adoption. EFRAG's reasoning is explained in Appendix 3.

On behalf of EFRAG, I would be happy to discuss our advice with you, other officials of the European Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,



Roger Marshall
Acting President of the EFRAG Board

APPENDIX 1: SUMMARY OF THE AMENDMENTS

Background

1 In October 2012, the IASB published *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (the original *Investment Entities* amendments) with an effective date of 1 January 2014. The original *Investment Entities* amendments were endorsed for use in the European Economic Area in November 2013.

2 The original *Investment Entities* amendments changed IFRS 10 *Consolidated Financial Statements* to require an investment entity to measure its subsidiaries at fair value through profit or loss instead of consolidating them. In the specific case of subsidiaries providing investment-related services, an investment entity is required to consolidate rather than fair value those subsidiaries.

What has changed?

3 The amendments to IFRS 10, IAS 28 *Investments in Associates and Joint Ventures* and IFRS 12 *Disclosure of Interests in Other Entities* ('the Amendments') result from implementation issues caused by a lack of clarity in the original *Investment Entities* amendments. The Amendments do not change the definition of an investment entity under IFRS 10 or the basis for determining whether an entity controls an investee (including an interest in a structured entity).

4 The Amendments were published by the IASB on 18 December 2014 and are summarised in the paragraphs below.

Amendment 1 - Exemption from presenting consolidated financial statements under IFRS 10

5 IFRS 10 provides an exemption[1] from presenting consolidated financial statements for a parent entity that meets all of the following conditions:

(a) it is a wholly-owned subsidiary or is a partially owned subsidiary and all its other owners have been informed about, and do not object to, the parent not presenting consolidated financial statements;

(b) debt or equity shares are not publicly traded;

(c) the entity has not filed or is not in the process of filing its financial statements to regulators; and

(d) the ultimate or intermediate parent produces consolidated financial statements that comply with IFRS and are available for public use.

6 With the introduction of the original *Investment Entities* amendments, an investment entity might measure all its subsidiaries at fair value, rather than consolidating them by applying consolidation techniques, and would therefore not prepare consolidated financial statements. This has led to a lack of clarity as to whether, in such cases, a subsidiary of such an investment entity, which is itself a parent entity, could apply the exemption in IFRS 10. Such a subsidiary is referred to throughout this document as an intermediate parent entity.

7 Amendment 1 clarifies that the exemption in IFRS 10 is available to an intermediate parent entity (provided it meets all other conditions in IFRS 10), even if its ultimate or intermediate parent is an investment entity which measures all its subsidiaries at fair value and therefore does not consolidate that intermediate parent entity.

[1] This exemption has existed for many years and was carried forward from the previous version of IAS 27 *Consolidated and Separate Financial Statements* to IFRS 10, when IFRS 10 was issued in May 2011 and replaced IAS 27.

8 IAS 28 has also been amended to provide a similar clarification.

Amendment 2 - Accounting for a subsidiary that is an investment entity and provides investment-related services under IFRS 10

9 Paragraph 31 of IFRS 10 requires an investment entity to measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*[2]. Further, paragraph 32 of IFRS 10 requires an investment entity to consolidate a subsidiary that provides services related to the investment entity's investment activities (investment-related services).

10 However, it was not clear whether an investment entity should consolidate a subsidiary that is itself an investment entity and provides investment-related services or whether the subsidiary should be measured at fair value. Amendment 2 clarifies that an investment entity should consolidate a subsidiary that is not an investment entity itself, and its main purpose and activities are providing services that relate to the investment entity's investment activities.

Amendment 3 - Application of the equity method under IAS 28 by a non-investment entity that has an interest in an associate or joint venture that qualifies as an investment entity

11 An investment entity associate or joint venture would, as a general principle, measure its subsidiaries at fair value. However, it was not clear whether a non-investment entity would need to unwind the fair value measurement and apply consolidation procedures when applying the equity method under IAS 28 to its investment in an associate or joint venture that qualifies as an investment entity.

12 Amendment 3 modifies IAS 28 to permit a non-investment entity to retain the fair value measurement applied by its investment entity associate or joint venture, to its interests in subsidiaries. This accounting policy choice was introduced mainly to address concerns about the practical ability and associated costs of unwinding the fair value measurement applied by the investment entity associate or joint venture to its subsidiaries.

Amendment 4 - Disclosure requirements under IFRS 12

13 Currently IFRS 12 states that it does not apply to an entity's separate financial statements. However, IAS 27 states that IFRS 12 is applicable to investment entities that prepare separate financial statements as their only financial statements. Amendment 4 clarifies that an investment entity that measures all of its subsidiaries at fair value should provide the investment entity disclosures required by IFRS 12.

When do the Amendments become effective?

14 The Amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

15 The Amendments shall be applied retrospectively. Entities need only present limited quantitative information for the annual period immediately preceding the date of initial application of IFRS 10. This information is permitted but not required for the current or for earlier comparative periods.

[2] The Amendments make reference to IFRS 9 *Financial Instruments,* which has not yet been endorsed in the European Union. The reference to IFRS 9 is not addressed in this Draft Letter and has been considered together with the related requirements in IFRS 9.

APPENDIX 2: ASSESSING WHETHER THE AMENDMENTS MEET THE TECHNICAL REQUIREMENTS FOR ENDORSEMENT

Does the accounting that results from the application of the Amendments meet the technical criteria for EU endorsement?

1 EFRAG has considered whether the Amendments meet the technical requirements of the European Parliament and of the Council on the application of international accounting standards, as set out in Regulation (EC) No 1606/2002, in other words that the Amendments:

(a) are not contrary to the principle of 'true and fair view' set out in Article 4(3) of Council Directive 2013/34/EU; and

(b) meet the criteria of understandability, relevance, reliability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

2 In the following analysis, EFRAG has considered each issue for both usefulness for decision-making and assessing the stewardship of management. In all cases, EFRAG has concluded that the information resulting from the application of the Amendments is appropriate both for making economic decisions and assessing the stewardship of management.

Relevance

3 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations.

4 EFRAG considered whether the Amendments would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.

Amendment 1 – Exemption from presenting consolidated financial statements under IFRS 10

5 Amendment 1 clarifies that the existing exemption for an intermediate parent entity not to present consolidated financial statements is available to an intermediate parent entity where their intermediate or ultimate parent entity presents financial statements that comply with the requirements of IFRS 10 *Consolidated Financial Statements,* and the intermediate parent entity complies with the remaining 'exemption' conditions in IFRS 10. Consequently, Amendment 1 is not focused on enhancing the relevance of information provided to users of the intermediate parent entity's financial statements.

6 Furthermore, EFRAG notes that the carrying amounts of interests in subsidiaries of an investment entity parent are supplemented by disclosure of the information required by IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 7 *Financial Instruments: Disclosures,* IFRS 13 *Fair Value Measurement* and IAS 24 *Related Party Disclosures.* These Standards provide relevant information for users of the intermediate parent entity financial statements, including information about the composition of the group and commitments or intention to provide financial support to/between group entities.

7 EFRAG acknowledges that some constituents have raised concerns that Amendment 1 may result in a loss of relevant line-by-line information for some groups of users of the intermediate parent entity's financial statements. However, EFRAG notes that the exemption from presenting consolidated financial statements is already available to intermediate parent entities that meet the 'exemption' conditions in IFRS 10. Amendment 1 only affects non-listed intermediate parent entities, that are

allowed or required under their local laws to prepare IFRS-compliant financial statements, and whose intermediate or ultimate parent entity measures all its subsidiaries at fair value. Consequently, Amendment 1 is likely to affect only a small population of European entities.

8 EFRAG also considers that under the exemption already existing in IFRS 10, stakeholders such as creditors and other lenders do not have the opportunity to object to an intermediate parent entity not presenting consolidated financial statements. These stakeholders are likely to be interested in 'legal entity' financial information rather than in consolidated financial statements. Furthermore, EFRAG is aware that providers of finance may require the presentation of consolidated financial statements as a condition of lending, and would therefore not be affected by Amendment 1.

9 EFRAG therefore assesses that Amendment 1 satisfies the relevance criterion.

10 EFRAG's assessment is that the consequential amendment made to IAS 28 *Investments in Associates and Joint Ventures* meets the relevance criterion for similar reasons as those stated above in respect to the 'exemption from presenting consolidated financial statements'.

<u>Amendment 2 - Accounting for a subsidiary that is an investment entity and provides investment-related services under IFRS 10</u>

11 EFRAG notes that the IASB, when developing the original *Investment Entities* amendments, acknowledged (in paragraph BC240C of IFRS 10) a potential loss of information. However, the IASB explained that allowing an investment entity parent to measure its subsidiaries at fair value while consolidating other activities such as investment-related services would be similar to the "asset-based approach" which it had rejected when developing the original *Investment Entities* amendments.

12 EFRAG also notes that, to qualify as an investment entity, an entity needs to demonstrate that its core investment activities are designed for earning capital appreciation, investment income or both. Consequently, the provision of investment-related services to third parties should be ancillary to its core investment activities.

13 Furthermore, IAS 24 requires the reporting investment entity parent to provide information about the nature of its relationship with related parties (including fair valued subsidiaries), information on related party transactions (including amounts, balances, and commitments) which should be helpful to users to obtain quantitative and qualitative information on "intra-group" investment-related services and related activities provided by the subsidiaries of the investment entity parent.

14 Moreover, EFRAG highlights that IFRS 12 requires investment entities to provide information that will enable users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements. This requirement forms part of the objective of IFRS 12, which requires an entity to evaluate the information required to satisfy the disclosure objective, and allows a certain level of flexibility to meet its objective. For example, paragraph 19C of IFRS 12 states that an investment entity parent may include, in its own financial statements, the financial statements of its subsidiaries in order to meet some of the disclosure requirements in IFRS 12.

15 EFRAG assesses that Amendment 2 will provide relevant information in some cases and result in a limitation of relevant information in other cases. However, EFRAG's assessment is that this limitation arises more from the original *Investment Entities* amendments than from the clarification provided by Amendment 2. EFRAG also assesses that some of the limitations in the provision of relevant information will be compensated for through disclosures required by IFRS.

16 For the reasons given above, EFRAG's assesses that Amendment 2 satisfies the relevance criterion.

Amendment 3 - Application of the equity method under IAS 28 by a non-investment entity that has an interest in an associate or joint venture that qualifies as an investment entity

17 Amendment 3 was introduced mainly to address concerns about the practical ability and associated costs of unwinding the fair value accounting applied by an investment entity associate or joint venture, and does not specifically focus on enhancing relevance of information for users.

18 Nonetheless, EFRAG believes that the fair value measurement applied by an investment entity associate or joint venture to its subsidiaries provides useful information to users of the non-investment parent entity's financial statements. This is because it will reflect, at the level of the investor, the business model of its interest in an investment entity associate or a joint venture, regardless of whether the investor is itself an investment entity.

19 Consequently, EFRAG's assessment is that Amendment 3 results in the provision of relevant information.

Amendment 4 - Disclosure requirements under IFRS 12

20 When EFRAG assessed the original *Investment Entities* amendments it concluded that the information required by IFRS 12 in respect to investment entities would be relevant to users of financial statements.

21 The objective of Amendment 4 is to resolve conflicting wording in IFRS 12 and IAS 27 *Separate Financial Statements* and clarify that investment entities must provide the disclosures in IFRS 12 applicable to investment entities.

22 Consequently, EFRAG assesses that Amendment 4 meets the relevance criterion.

Overall assessment

23 EFRAG's overall assessment is that the Amendments satisfy the relevance criterion.

Reliability

24 EFRAG also considered the reliability of the information that will be provided by applying the Amendments. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.

25 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation and completeness.

26 EFRAG notes that Amendments 1-4 do not affect the reliability of information as defined above as they do not introduce any new recognition or measurement requirements.

27 Consequently, EFRAG's assessment is that the Amendments satisfy the reliability criterion.

Comparability

28 The notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently.

29 EFRAG has considered whether the Amendments result in transactions that are:

(a) economically similar being accounted for differently; or

(b) transactions that are economically different being accounted for as if they are similar.

Amendment 1 - Exemption from presenting consolidated financial statements under IFRS 10

30 EFRAG acknowledges that accounting options generally result in a loss of comparable information as entities are permitted to account for economically similar situations in a different way. However, EFRAG considers that Amendment 1 will permit a limited number of additional entities to use an existing option not to present consolidated financial statements, and is therefore likely to have a limited impact on comparability of information for those entities to which it applies.

31 On this basis, EFRAG assesses that Amendment 1 satisfies the comparability criterion.

Amendment 2 – Accounting for a subsidiary that is an investment entity and provides investment-related activities under IFRS 10

32 Amendment 2 clarifies the application of current guidance in IFRS 10 and is therefore intended to reduce any existing diversity in practice.

33 A consequence of Amendment 2 is that different accounting outcomes will be driven by the manner in which an investment entity structures its group. However, EFRAG observes that the disclosures required by IAS 24 and IFRS 12 are expected to compensate for any limitation in the provision of information about services, related expenses and activities provided by an investment entity subsidiary of an investment entity and help to provide information that is comparable between entities.

34 Therefore, EFRAG's assessment is that Amendment 2 satisfies the comparability criterion.

Amendment 3 - Application of the equity method under IAS 28 by a non-investment entity that has an interest in an associate or joint venture that qualifies as an investment entity

35 Amendment 3 introduces an accounting option for entities that apply the equity method to its associates and joint ventures that qualify as investment entities. EFRAG acknowledges that accounting options have a negative impact on comparability of information.

36 However, EFRAG notes that Amendment 3 results from a request from preparers to obtain relief when applying the equity method to interests in associates or joint ventures that qualify as investment entities and measure their interests in subsidiaries at fair value. As a result, EFRAG expects most preparers to decide to use the relief provided.

37 As a result, EFRAG's assessment is that Amendment 3 satisfies the comparability criterion.

Amendment 4 - Disclosure requirements under IFRS 12

38 Amendment 4 aims to clarify the disclosure requirements in IFRS 12 in respect to investment entities and therefore reduce diversity in practice. Amendment 4 should therefore result in comparable information for users of financial statements.

Overall assessment

39 EFRAG's overall assessment is that the Amendments satisfy the comparability criterion.

Understandability

40 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting and the willingness to study the information with reasonable diligence.

41 Although there are a number of aspects to the notion of 'understandability', EFRAG believes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.

42 As a result, EFRAG believes that the main additional issue it needs to consider, in assessing whether the information resulting from the application of the Amendments is understandable, is whether that information will be unduly complex.

43 EFRAG notes that the Amendments do not involve new concepts or notions and do not introduce any new complexities that may impair understandability.

44 EFRAG's overall assessment, therefore, is that the Amendments satisfy the understandability criterion.

Prudence

45 EFRAG has assessed that the Amendments do not raise any issues from a prudence perspective. This is because the Amendments do not introduce any new recognition or measurement requirements. The Amendments clarify some situations for which the presentation and accounting requirements in IFRS 10 were not clear, and also introduce an option in IAS 28 to allow a non-investment entity to retain the fair value measurement applied by an investment entity associate or joint venture to its interests in subsidiaries.

True and Fair

46 Information can be relied on to meet the true and fair view principle when it faithfully represents the financial performance and position of an entity. To do so, accounting requirements should help provide information that is relevant, reliable, comparable and understandable and lead to prudent accounting. Based on the analysis above, EFRAG's assessment is that the information resulting from the application of the Amendments would not be contrary to the true and fair view principle.

47 Accordingly, for the reasons set out above, EFRAG's assessment is that the Amendments satisfy the technical criteria for EU endorsement and EFRAG should therefore recommend their endorsement.

APPENDIX 3: ASSESSING WHETHER THE AMENDMENTS ARE CONDUCIVE TO THE EUROPEAN PUBLIC GOOD

Introduction

1 The IAS Regulation states that an international accounting standard can only be adopted if it is conducive to the European public good.

2 EFRAG has considered, based on an assessment of whether *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)* ('the Amendments') are likely to improve the quality of financial reporting, and on a cost-benefit analysis and on evidence brought to its attention by constituents, whether it would be conducive to the European public good to adopt the Amendments.

3 For the purpose of this appendix, the Amendments are summarised as follows:

(a) Amendment 1 – Exemption from presenting consolidated financial statements under IFRS 10;

(b) Amendment 2 – Accounting for a subsidiary that is an investment entity and provides investment-related services under IFRS 10;

(c) Amendment 3 – Application of the equity method under IAS 28 by a non-investment entity that has an interest in an associate or joint venture that qualifies as an investment entity; and

(d) Amendment 4 – Disclosure requirements under IFRS 12.

EFRAG's evaluation of whether the amendments are likely to improve the quality of financial reporting

4 EFRAG notes that the Amendments are designed to clarify some aspects of existing IFRS literature in respect to the exemption from consolidation in IFRS 10 *Consolidated Financial Statements* and thereby decrease diversity in practice. The Amendments do not change the definition of an investment entity under IFRS 10, and will therefore not affect the population of entities that qualify as investment entities. They also do not introduce any changes to the principle of 'control' under IFRS 10, which is used to assess whether an entity controls an investee including an interest in a structured entity.

5 EFRAG understands that there is a concern that some entities, permitted to apply IFRSs on an optional basis, may be encouraged by Amendment 1 to adopt IFRS in order not to present consolidated financial statements. This may mean that users will need to incur additional costs to obtain relevant information from alternative sources.

6 However, EFRAG notes that IFRS contains extensive recognition, measurement, presentation and disclosure requirements. Therefore, financial information provided in accordance with those requirements is expected to reduce users' costs in seeking alternative sources of information. Moreover, no evidence has been brought to EFRAG's attention that the exemption from presenting consolidated financial statements already provided by IFRS 10 has led entities to adopt IFRS.

7 EFRAG also acknowledges that the application of Amendment 2 may result in different accounting outcomes depending on how an investment entity structures its group. However, EFRAG observes that required disclosures in IFRS are likely to reduce the impact on comparability of information provided by an investment entity

parent affected by Amendment 2, and therefore not expected to affect the quality of information for users of financial statements.

8 EFRAG has therefore concluded that the clarifications provided by the Amendments are likely to improve financial reporting.

EFRAG's assessment of the costs and benefits of the Amendments

9 EFRAG has carried out an assessment of the costs and benefits expected to arise for preparers and for users from implementing the Amendments, both in year one and in subsequent years.

Costs for preparers

10 EFRAG has carried out an assessment of the cost implications for preparers resulting from the Amendments.

<u>*One-off costs*</u>

11 EFRAG notes that the Amendments aim to clarify the requirements introduced by, or affected by the original *Investment Entities* amendments and do not introduce new concepts.

12 EFRAG understands that some preparers may be required to restate the comparative information in respect to Amendment 2. In this regard, an investment entity required to de-consolidate a subsidiary and measure it at fair value, would typically manage all its subsidiaries on a fair value basis and have the fair values readily available.

13 Therefore, EFRAG believes that for preparers the Amendments will result in insignificant one-off costs of implementation.

<u>*Ongoing costs*</u>

14 EFRAG notes that Amendments 1 and 3 provide cost-relief to preparers from tracing or collecting information that may be costly and burdensome to obtain.

(a) Amendment 1 grants parent entities that are subsidiaries of investment entities an option not to present consolidated financial statements if the conditions in paragraphs 4(a) of IFRS 10 are satisfied.

(b) Amendment 3 provides a relief for non-investment entities, that have interests in associates and joint ventures qualifying as investment entities, and allows such non-investment entities to retain the fair value accounting applied by their investment entity associate or joint venture investees to their respective subsidiaries when applying the equity method under IAS 28 *Investments in Associates and Joint Ventures*.

15 EFRAG also notes that Amendments 2 and 4 are not likely to affect the ongoing costs for preparers.

<u>*Overall assessment*</u>

16 Overall, EFRAG's assessment is that the Amendments are likely to result in only insignificant one-off implementation costs and are expected to reduce the ongoing costs for preparers.

Costs for users

17 EFRAG has carried out an assessment of the cost implications for users resulting from the Amendments.

One-off costs

18 EFRAG's assessment is that users may have to incur one-off costs to read and understand the Amendments. However, EFRAG notes that the Amendments do not introduce new concepts, and therefore any one-off costs that users may incur to read and understand the Amendments are likely to be insignificant.

Ongoing costs

19 Under Amendment 1, some preparers will no longer be required to present consolidated financial statements. For those entities, EFRAG notes that the provision of relevant information to users is safeguarded by the conditions set in paragraph 4 of IFRS 10, and any resulting increased ongoing costs will affect non-primary users (for example some creditors or employees). Given its restricted scope, Amendment 1 is likely to affect only a small number of European companies, and consequently any ongoing costs for users are likely to be insignificant.

20 As mentioned in paragraph 7 above, EFRAG understands that the application of Amendment 2 may result in different accounting outcomes driven by the manner in which an investment entity structures its group and, as a result, reduce comparability of information for users of investment entity financial statements. However, EFRAG observes that this was a consequence of endorsing the original *Investment Entities* amendments, and does not expect Amendment 1 to have a significant impact on ongoing costs for users.

21 EFRAG notes that Amendment 3 introduces an accounting policy option for preparers which inevitably affects the comparability of financial statements between similar entities. However, given the expected reduction in costs for preparers which use the relief provided by Amendment 3, EFRAG expects that the majority of preparers will apply the relief, which will increase comparability. Consequently, EFRAG assesses Amendment 3 to have an insignificant impact on the ongoing costs for users.

22 EFRAG assesses that Amendment 4 is intended to ensure the provision of relevant information by preparers, and therefore expected to reduce costs for users.

Overall assessment

23 Overall, EFRAG's assessment is that the Amendments will result in only insignificant incremental one-off cost of implementation and some ongoing costs for users which are unlikely to be significant.

Benefits for preparers and users

24 EFRAG has carried out an assessment of the benefits for users and preparers resulting from the Amendments.

25 EFRAG assesses that preparers are likely to benefit from the reduction of ongoing costs resulting from the relief provided by Amendments 1 and 3.

26 EFRAG assesses also that users of financial information are likely to benefit from the Amendments 1, 2 and 4 due to the clarifications to the requirements in IFRS 10 and from Amendment 3 because preparers are expected to provide relevant fair value information for most of the subsidiaries of their investment-entity associates and joint ventures.

27 EFRAG's assessment is that both preparers and users are likely to benefit from the Amendments.

Overall assessment

28 Overall, EFRAG's assessment is that the Amendments are likely to result in cost savings for preparers and benefits for users that will likely outweigh the insignificant incremental one-off cost of implementation for users and some ongoing costs of assessment.

Conclusion

29 Based on the assessment that the Amendments are likely to improve financial reporting, together with the likely reduction of costs for preparers, without a significant increase in costs for users. EFRAG concludes that adopting the Amendments is conducive to the European public good.