

**IASB ED/2015/10 *Annual Improvements to IFRSs 2014–2016*
*Cycle***

EFRAG's Feedback Statement

March 2016

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Introduction

Objective of this feedback statement

EFRAG published its draft comment letter on IASB ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle* (the 'ED') on 16 December 2015. This feedback statement summarises the main comments received by EFRAG on its draft comment letter and explains how those comments were considered by EFRAG during its technical discussions leading to the publication of EFRAG's final comment letter.

Background to the ED

The ED contains proposed amendments to three IFRSs as result of the IASB's annual improvements project.

The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project.

The ED proposes the following amendments:

<p>IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i></p>	<p>To delete the short-term exemptions in paragraphs E3 – E7 of IFRS 1, because they have now served their intended purpose.</p>
<p>IFRS 12 <i>Disclosure of Interests in Other Entities</i></p>	<p>To clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10 – B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for</p>

	<p>distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p>
<p>IAS 28 <i>Investments in Associates and Joint Ventures</i></p>	<p>To clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.</p>

. Further details are available on the EFRAG [website](#).

EFRAG's draft comment letter

EFRAG published a [draft comment letter](#) on the proposals on 16 December 2015.

EFRAG agreed in all the proposals in the ED, both in the proposed amendment and in the transition provisions. EFRAG noted that the proposed retrospective application of the amendment to IAS 28 would allow an entity to change the measurement basis for any investment of this type, namely from fair value through profit or loss to equity accounting or vice versa, from the date IAS 28 accounting was first applied. Therefore, EFRAG recommended that the IASB clarify this in the Basis for Conclusions of these proposed amendments.

Comments received from constituents

Five comment letters were received from constituents and considered by EFRAG in its discussions. These comment letters are available on the EFRAG [website](#).

The comment letters came from national standard setters, auditor organisations and regulators.

All of the constituents agreed with EFRAG's position both in the proposed amendments and in the transition provision.

One of the constituents indicated that they do not consider these amendments urgent and recommend IASB to refrain making these amendments.

EFRAG's final comment letter

EFRAG did not propose any significant changes to the letter based on the above comments.

Detailed analysis of issues, comments received and changes made to EFRAG's final comment letter

EFRAG's tentative views expressed in the draft comment letter and constituents' comments

EFRAG's response to constituents' comments

Proposed amendments to IFRS 1, IFRS 12 and IAS 28

Proposals in the ED

The ED proposes the following amendments:

IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	To delete the short-term exemptions in paragraphs E3 – E7 of IFRS 1, because they have now served their intended purpose.
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	To clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10 – B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> .

EFRAG final position

EFRAG agreed with the recommendation from one of the constituents and included it in its comment letter.

EFRAG's tentative views expressed in the draft comment letter and constituents' comments

<p>IAS 28 <i>Investments in Associates and Joint Ventures</i></p>	<p>To clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.</p>
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EFRAG's tentative position

EFRAG agreed with the ED.

Constituents' comments

All the constituents agreed with EFRAG's position and consequently they agreed with the IASB's position. One constituent recommended that the rationale for the amendment proposed in paragraph 36A of IAS 28 be explained in the Basis for Conclusions for this amendment.

EFRAG's response to constituents' comments

EFRAG's tentative views expressed in the draft comment letter and constituents' comments

Transition provision for IFRS 1, IFRS 12 and IAS 28

Proposals in the ED

In the absence of any reference in the ED to the transition provision of the amendments EFRAG understood that the amendments ought to be applied retrospectively in accordance with paragraph 19(b) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

EFRAG's tentative position

EFRAG agreed with the ED but understood that retrospective application would allow an entity to change the measurement basis for any investment of this type, namely from fair value through profit or loss to equity accounting or vice versa, from the date IAS 28 accounting was first applied. Therefore EFRAG recommended that the IASB clarify this in the Basis for Conclusions of these proposed amendments.

Constituents' comments

All the constituents agreed with EFRAG's position and consequently they agreed with IASB's position.

One constituents specifically agreed with EFRAG's position on including a clarification of the retrospective application of the amendments to IAS 28 in the Basis for Conclusions.

EFRAG's response to constituents' comments

EFRAG final position

EFRAG did not propose any changes to the letter based on the comments received.

APPENDIX 1: List of constituents

Table 1: List of constituents

<i>Name of constituent</i>	<i>Country</i>	<i>Type / Category</i>
Accounting Standards Committee of Germany	Germany	National Standard Setter
FSR Danske Revisorer	Denmark	Auditor organisation
Instituto de Contabilidad y Auditoria de Cuentas	Spain	National Standard Setter
Autorité des Normes Comptables	France	National Standard Setter
European Securities and Markets Authority	Europe	Regulator

APPENDIX 2: Summary - constituents by country and by type

Table 2: Total constituents by country and by type

Constituent by country:		Constituent by type:	
Germany	1	National Standard Setter	3
Denmark	1	Regulator	1
Spain	1	Auditor organisation	1
France	1		
European organisations	1		
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