



November 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.

November Publications

Final Endorsement Advice

On 6 November, EFRAG published its final endorsement advice on IFRIC 23 *Uncertainty over Income Tax Treatments*.

For more details, please see the [EFRAG website](#).

On 10 November, EFRAG published its final endorsement advice on *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*.

For more details, please see the [EFRAG website](#).

Final Comment Letter

On 10 November, EFRAG published its final comment letter on the IASB's ED/2017/4 *Property, Plant and Equipment - Proceeds before Intended Use (Proposed amendments to IAS 16)*.

For more details, please see the [EFRAG website](#).

Feedback Statement

On 15 November, EFRAG published a feedback statement summarising the main comments received in response to its draft comment letter on the IASB's Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure* and how these comments were considered in EFRAG's final comment letter to the IASB.

For more details, please see the [EFRAG website](#).

Call for Participants – Case Study on IFRS 17 Insurance Contracts

On 23 November, EFRAG issued a call for volunteers to participate in a case study on the anticipated impact of IFRS 17 *Insurance Contracts* on a sample of European insurance groups. The IFRS 17 case study will form an integral part of the development of an advice from EFRAG to the EC on the expected impact of IFRS 17 in Europe.

For more details, please see the [EFRAG website](#).

Open consultations

EFRAG open public consultations:

Title and description	Closing date
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
IFRS 17 Case Study - Call for Participants	8 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

November 2017 meetings and conference calls

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

- The EFRAG Board;
- The EFRAG Technical Expert Group (EFRAG TEG); and
- The EFRAG Consultative Forum of Standard Setters (EFRAG CFSS).

Detailed meeting reports

EFRAG Board meeting on 9 November

The EFRAG Board met on [9 November](#) and discussed the following:

- IFRS 17 *Insurance Contracts*;
- 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)*;
- Wider corporate reporting;
- EFRAG Research Project *Equity instruments – impairment and recycling*; and
- EFRAG work plan.

IFRS 17 Insurance Contracts

The EFRAG Board considered the proposed process for preparing an endorsement advice on IFRS 17. The EFRAG Board asked for a more detailed project plan that, among other matters, shows how EFRAG intends to address all of the specific matters included in the request for advice from the European Commission.

The EFRAG Board approved the issuance of the call for participants in the IFRS 17 case study.

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

Given the diverse views expressed by European constituents, the EFRAG Board decided that the EFRAG comment letter should call for the IASB to consider the conceptual issues highlighted by the proposals in the Exposure Draft in more depth, along with a more detailed analysis of the anticipated effects, before proceeding. The EFRAG Board decided to include in the comment letter that it might be useful if the IFRS Interpretations Committee, as a short-term solution, addressed the original issue raised.

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

The EFRAG Board approved EFRAG's endorsement advice to the European Commission on the amendments to IFRS 9. EFRAG's view in the endorsement advice was that the amendments to IFRS 9 meet the requirements for endorsement in the EU. The endorsement advice also referred to certain reservations raised by the European Central Bank.

Wider Corporate Reporting

The EFRAG Board received a presentation from staff of the IASB on their current research into Wider Corporate Reporting. No decisions were taken at the meeting.

EFRAG Research *Project Equity instruments – impairment and recycling*

The EFRAG Board considered the status of the project and suggested various approaches for consideration. No decisions were taken at the meeting.

EFRAG work plan

The EFRAG Board approved the technical work plan.

EFRAG Board – November written procedures

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

- EFRAG's final endorsement advice on IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

EFRAG Board – Expected December written procedures

During December, the EFRAG Board is expected to approve the following document 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)

EFRAG TEG conference call on 8 November

At its conference call on [8 November](#), EFRAG TEG discussed:

- IASB Publication *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*; and
- IASB Publication *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*.

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

EFRAG TEG agreed to recommend to the EFRAG Board a final endorsement advice on the IASB Publication *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*.

IASB Publication *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*

EFRAG TEG discussed a revised draft of the draft endorsement advice on the IASB Publication *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* and agreed to recommend the draft endorsement advice to the EFRAG Board subject to receiving a request for advice from the European Commission.

EFRAG TEG and EFRAG CFSS meeting on 22 November

At its meeting on [22 November](#), EFRAG TEG and EFRAG CFSS discussed:

- IASB Exposure Draft ED/2017/6 *Definition of Material - Proposed Amendments to IAS 1 and IAS 8*;
- IASB Discussion Paper DP/2017/1 *Disclosure Initiative – Principles of Disclosure*;
- IASB Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)*;
- IASB Project *Primary Financial Statements*;
- IASB Research Project *Business Combinations under Common Control*;
- Wider Corporate Reporting; and
- Information Deficiencies and Consolidated Financial Statements.

IASB Exposure Draft ED/2017/6 *Definition of Material - Proposed Amendments to IAS 1 and IAS 8*

EFRAG TEG and EFRAG CFSS discussed the IASB Exposure Draft ED/2017/6 *Definition of Material* and EFRAG's Draft comment letter in response to the IASB Exposure Draft.

EFRAG CFSS members generally agreed with the EFRAG's observations and suggestions in the draft comment letter. In the letter, EFRAG suggests in particular to define material information more simply and directly as information that can reasonably be expected, individually or collectively, to influence the economic decisions of the primary users of financial statements.

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

EFRAG TEG and EFRAG CFSS discussed the preliminary high-level feedback received by the IASB from its consultation. Regarding the possible future direction of the IASB's project, members highlighted the importance of a comprehensive review of standards-level requirements. However, some members considered that any such review should not be conducted without the IASB first undertaking some more work to develop overall principles of disclosure.

EFRAG TEG and EFRAG CFSS also discussed the issue of proportionality of disclosure requirements. Members generally agreed that disclosure requirements should aim to result in proportionate levels of disclosure but had reservations about differential disclosure requirements based only on the size of the entity.

IASB Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)*

EFRAG TEG and EFRAG CFSS discussed the feedback received on the IASB proposed amendments (the ED), including the IASB Staff recommendations to address the more significant concerns reported.

The proposed clarifications to: help identify the Chief Operating Decision Maker (CODM); link IFRS 8 segments with other parts of the annual reporting package; and clarify the criteria for aggregation of segments attracted the most significant comments from respondents. EFRAG, in its comment letter, disagreed with the proposal to require an entity to explain any differences between the segments reported under IFRS 8 and segments reported outside the financial statements.

EFRAG TEG and EFRAG CFSS members generally considered that the latest IASB Staff proposals on identifying the CODM appeared to be overly complicated and prescriptive. These members observed that IFRS 8 is based on a management approach and, accordingly, the information provided is inevitably affected by differences in management structures and internal reporting practices.

IASB Project *Primary Financial Statements*

EFRAG TEG and EFRAG CFSS discussed the recent developments on this project, particularly the proposal to introduce an investing category and an earnings before interest and tax (EBIT) subtotal in the statement of financial performance. In general, members welcomed the IASB's discussions and progress on the project. However, they cautioned against an overly prescriptive approach for the structure of the statement of financial performance as it could raise industry-specific issues (e.g. financial institutions) and not accommodate the needs of entities with complex business models (e.g. conglomerates).

Most members suggested that the IASB should continue with a principle-based approach for the definition of EBIT and expressed cautious support for the concept of an investing category. However, some members suggested that the IASB should focus on improved disaggregation instead of defining new subtotals in view as they considered that this would be simpler and more effective. Some also called for the IASB to further discuss the notion of 'excess cash' (to take into account working capital needs) and the tax component of EBIT.

Finally, EFRAG TEG and EFRAG CFSS discussed IASB Staff proposals to improve the communication of information about OCI. Members noted that it will be difficult to significantly improve the understandability of OCI without addressing the distinction between profit and OCI and the role of recycling. Members generally did not consider that it would be useful to modify the title or insert a sub-total between the two categories of OCI items.

IASB Research Project *Business Combinations under Common Control*

EFRAG TEG and EFRAG CFSS considered the scope of the IASB's project, the starting point for research and the factors to be considered when deciding on a method to account for transactions within the scope of the project.

Members were generally supportive of the IASB Staff's proposed scope. This would address transfers of businesses and entities under common control not covered by current guidance, rather than being limited solely to business combinations under common control as defined in IFRS 3.

Members did not conclude on whether the acquisition method or the predecessor method was a better starting point to account for business combinations under common control. In their view, selecting a method would depend on the characteristics of the particular transaction.

Wider Corporate Reporting

EFRAG TEG and EFRAG CFSS discussed the most recent developments on the IASB's current research into Wider Corporate Reporting, including the IASB's decision to update the Management Commentary Practice Statement. Members noted the relevant European Directives and did not express strong views at this stage.

Information Deficiencies and Consolidated Financial Statements

EFRAG TEG and EFRAG CFSS received a presentation by the German standard setter aimed at stimulating debate on the potential loss of information resulting from reliance on consolidated financial statements. The presentation also identified some perceived information deficiencies in financial statements more generally. Members welcomed the presentation and considered that it would be interesting to assess the extent to which the information deficiencies referred to create problems for users of financial statements.

EFRAG TEG meeting on 23 November

At its meeting on [23 November](#), EFRAG TEG discussed:

- IFRS 17 *Insurance Contracts*;
- EFRAG Research Project *Equity Instruments – Impairment and Recycling*; and
- EFRAG Research Project *Transactions Other than Exchanges of Equal Value (TEEV)*.

IFRS 17 *Insurance Contracts*

EFRAG TEG considered the project plan for developing an endorsement advice for the European Commission.

EFRAG TEG members suggested various improvements to the draft case study¹ seeking information in the expected impact of IFRS 17. EFRAG TEG members also noted the need to balance the amount of information sought against the burden imposed on participants.

EFRAG TEG discussed an issues paper on level of aggregation. Members expressed a range of views on how the level of aggregation related to the recognition of onerous contracts and whether closed groups were necessary to ensure that the CSM is fully derecognised when contracts are derecognised.

No decisions were made at the meeting.

¹ See the call for participants referred to on page 1 of this EFRAG Update.

EFRAG Research Project *Equity Instruments – Impairment and Recycling*

EFRAG TEG discussed two possible presentation and disclosure requirements developed in response to part of the request for technical advice of the European Commission. One approach would require entities to disclose positive and negative changes in OCI and the second to present separately the realised and unrealised changes in fair value in profit or loss. EFRAG TEG members generally agreed to include these approaches in a future consultation document to obtain constituents' views.

EFRAG TEG was also updated on the results of the interviews held with some of the respondents to EFRAG's public consultation.

No decisions were taken at the meeting.

EFRAG Research Project *Transactions Other than Exchanges of Equal Value (TEEV)*

EFRAG TEG discussed the scope of the research project and a proposed accounting model for transactions other than exchanges of equal value.

EFRAG TEG members supported limiting the main focus of the project to levies and grants for pragmatic reasons. However, some EFRAG TEG members expressed the view that applicability of the proposed approach to income taxes and some other transactions should also be considered. EFRAG TEG also discussed a proposed four-step approach to accounting for TEEV and expressed broad support, with some suggestions for clarification and refinement of the model. EFRAG TEG also asked for the model to be tested against real life examples.