



Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany



Der Standardisierungsrat

© DRSC e.V. || Zimmerstr. 30 || 10969 Berlin || Tel.: (030) 20 64 12 - 0 || Fax.: (030) 20 64 12 -15  
[www.drsc.de](http://www.drsc.de) - [info@drsc.de](mailto:info@drsc.de)

Diese Sitzungsunterlage wird der Öffentlichkeit für die DSR-Sitzung zur Verfügung gestellt, so dass dem Verlauf der Sitzung gefolgt werden kann. Die Unterlage gibt keine offiziellen Standpunkte des DSR wieder. Die Standpunkte des DSR werden in den Deutschen Rechnungslegungs Standards sowie in seinen Stellungnahmen (Comment Letters) ausgeführt.  
Diese Unterlage wurde von einem Mitarbeiter des DRSC für die DSR-Sitzung erstellt.

## DSR – öffentliche SITZUNGSUNTERLAGE

<b>DSR-Sitzung:</b>	<b>135. / 31.08.2009 / 15:45 – 17:45 Uhr</b>
<b>TOP:</b>	<b>04 – ED Proposed Improvements to IFRSs (August 2009)</b>
<b>Thema:</b>	<b>Stellungnahme an den IASB</b>
<b>Papier:</b>	<b>135_04c_AIP_Entwurf_DSR-SN_ED-Improvements</b>



DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Telefon +49 (0)30 206412-12

Telefax +49 (0)30 206412-15

E-Mail info@drsc.de

Sir David Tweedie  
Chairman of the  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Berlin, XX September 2009

### Exposure Draft of Proposed Improvements to IFRSs (Third Project Cycle; 2009-2011)

Dear David,

We appreciate the opportunity to respond to the International Accounting Standards Board's Exposure Draft (ED) 'Improvements to IFRSs' (an ED of proposed amendments to International Financial Reporting Standards) under the third cycle of the Annual Improvements project. This letter represents the view of the German Accounting Standards Board (GASB).

Our detailed comments on the **fourteen** amendments proposed are set out in the appendix to this letter. In summary, we basically agree with most of the proposals contained in the ED. In some cases, though we agree in principle, we provide additional comments that could, from our point of view, further improve the amendments. However, in a few cases we disagree with the proposed amendment to the standard for reasons also set out in the appendix to this letter. These are:

- IAS 40 – Change from fair value model to cost model,
- *[to be completed after final GASB decisions].*

If you would like to discuss any aspects of this comment letter in more detail, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr  
President

## APPENDIX

### **General questions (applicable to all proposed amendments)**

**Question 1** – *Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

**Question 2** – *Do you agree with the proposed transition provisions and effective date for the issue described in the exposure draft? If not, why and what alternative do you propose?*

### **Proposed amendments to International Financial Reporting Standard 3 Business Combinations**

#### **Pre-adoption contingent consideration**

We agree with the proposed amendment to paragraph 97B of IAS 32, paragraph 103C of IAS 39, and paragraph 44B of IFRS 7 in order to clarify that IAS 39 does not apply to pre-adoption contingent consideration, i.e. contingent consideration arising from business combinations whose acquisition dates preceded the application of the revised IFRS 3.

However, we wonder whether this amendment is really necessary against the background that IFRS 3 (revised 2008) requires prospective application and the IASB Update, May 2009, page 4, in connection with the question whether it is necessary to clarify the transitional provisions of (other) consequential amendments resulting from revised IFRS 3, states the following: ‘..., there is no need to clarify the consequential amendments made by IFRS 3 because IFRS 3 clearly requires prospective application.’ If one accepts this statement, in our view it follows that the consequential amendments to the scope of IAS 32, IAS 39 and IFRS 7 with respect to the accounting of contingent consideration should also be applied prospectively. In addition we think that paragraph 64 of IFRS 3 makes it absolutely clear when it states: ‘This IFRS shall be applied prospectively to business combinations *for which the acquisition date is on or after ...*’ that only contingent consideration arrangements that arise from business combinations *which acquisition date is on or after* the effective date of the revised IFRS 3 are affected by the new accounting requirements regarding contingent consideration. We actually see no reason why the consequential amendments to IAS 32, IAS 39 and IFRS 7 in respect of contingent consideration require a particular treatment, i.e. particular transitional provisions in comparison with the other consequential amendments resulting from IFRS 3 (revised 2008).

Irrespective of the above-explained view, in the end we do not disagree with the proposed amendment as it merely makes clear what we think is already clear.

**Kommentar [s1]:** Die Einordnung des Änderungsvorschlags unter der Überschrift „Änderungen an IFRS 3“ in der Stellungnahme (SN) ist nach Veröffentlichung des ED noch zu überprüfen.

## **Proposed amendment to International Financial Reporting Standard 5 *Non-current Assets Held for Sale and Discontinued Operations***

### ***Application of IFRS 5 in loss of significant influence over an associate or a jointly controlled entity***

We fully agree with the amendment proposed in order to clarify that an entity shall classify an associate or a jointly controlled entity as held for sale when it is highly probable that joint control or significant influence will be lost. We think that the proposed amendment is consistent with the IASB decision taken in its first cycle of the Annual Improvements Process regarding IFRS 5 in order to clarify that assets and liabilities of a subsidiary shall be classified as held for sale if the parent has a sale plan involving loss of control of the subsidiary. Furthermore, the current proposal is consistent with and, in our view, follows directly from the general IASB decision taken in the second phase of its Business Combinations project that the loss of control of a subsidiary, the loss of significant influence over an associate and the loss of joint control over a jointly controlled entity are economically similar events and, thus, should be accounted for similarly.

We also agree with the proposed effective date of **1 Januar 2011** and a **prospective** application of the amendment.

## **Proposed amendments to International Financial Reporting Standard 7 *Financial Instruments: Disclosures***

### ***Minor amendments***

We agree with the proposed amendments to paragraphs 33, 34(b), and 38 of IFRS 7 and with the proposed removals of paragraphs 36(d) and 37(c) of IFRS 7.

However, regarding the amendment to paragraph 34(b) we would appreciate an additional clarification in the Basis for Conclusions that the removal of the reference to materiality in the respective paragraph is merely an editorial amendment and does not change the requirements regarding the quantitative disclosures for credit, liquidity, and market risks in order to prevent any potential discussion in respect of the meaning of the amendment.

In principle, we also agree with the amendment to paragraph 36(a) of IFRS 7 proposed in order to clarify that the disclosure requirements only apply to assets for which their maximum exposure to credit loss differs from their carrying amounts.

In our view this means that the disclosure requirement concerns mainly off balance sheet items because in respect of all (other) balance sheet items we think that the

**Kommentar [s2]:** Die Änderung von IFRS 7.36(b) ist durch den DSR nach Veröffentlichung des ED noch zu beraten und in die SN aufzunehmen.

amount recognised and presented in the statement of financial position (i.e. the carrying amount) represents the maximum exposure to credit loss for the respective asset of the particular entity. We think in this context it would be helpful if the Standard defined what is meant by '*maximum exposure to credit risk*', in particular with respect to items whose fair value is higher than the amount recognised in the statement of financial position.

Finally, we would like to note that we agree with the proposed effective date of **1 Januar 2011** date and with the **retrospective** application of the amendment.

## **Proposed amendment to International Accounting Standard 1 *Presentation of Financial Statements***

### ***Presentation of the statement of changes in equity***

As we understood from the IASB discussions and the Observer Notes, respectively, the objective of this amendment is to allow entities to abstain from displaying the items of other comprehensive income on the face of the statements of changes in equity, and instead to include this information in the notes. We fully agree with this objective.

However, we question that the wording of the proposed amendment meets this concrete objective. As the amendment is drafted now, it offers the option to show *all* the items required in IAS 1.106 *either* on the face of the statement of changes in equity *or* in the notes. In case an entity uses this option in effect it will dislocate the whole 'statement of changes in equity' to the notes to the financial statements. We believe that this is inconsistent with IAS 1.10 and .11 which state that 'a complete set of financial statements comprises: ... (c) a statement of changes in equity for the period; ...' and, in addition, require an entity to present all of the financial statements in a complete set of financial statements 'with equal prominence'.

In principle, we find it acceptable to dislocate the whole or a lot of information required by IAS 1.106 to the notes. However, we reject this being an option as we think comparability of information between entities would significantly be weakened. Therefore, we would prefer a clear requirement which items required by IAS 1.106 shall be shown on the face of the statement of changes in equity and which in the notes. However, in order to achieve the IASB's original objective to allow entities showing the items of OCI in the notes instead of on the face of the statement of changes in equity, we think it would be sufficient to add to the current IAS 1.106 a sentence like: 'The information required in IAS 1.106(d)(ii) may be shown in the notes.'

Regarding the proposed amendment to IAS 1.107 we would like to note that in our view this amendment eliminates the requirement to show the amount of *dividends* recognised as distributions to owners during a period because IAS 1.106(d)(iii) only requires an entity to show *distributions to owners* separately. The amount of distributions to owners includes the amount of dividends but may contain additional amounts resulting from

other forms of distributions to owners, for example resulting from the redemption of shares. If this is the case the amount of dividends distributed to owners in a period neither can be found in the statement of changes in equity nor in the notes. We question that this was really the intention of the amendment to IAS 1.107.

Irrespective of the above-mentioned positions, we agree with the proposed effective date of **1 January 2011** and a **retrospective** application of the amendment.

### **Proposed amendment to International Accounting Standard 27 Consolidated and Separate Financial Statements**

#### **Consequential Amendments**

In principle, we agree with the proposed amendments regarding paragraph 61B of IAS 21, paragraph 41B of IAS 28 and paragraph 58A of IAS 31 proposed in order to clarify that these consequential amendments resulting from IAS 27 (as amended 2008) have to be applied prospectively.

However, in our view, this amendment might be regarded as being too late in respect of the fact that the effective date of the amended IAS 27 and of its consequential amendments was 1 July 2009, whereas the proposed amendment will not become effective until 1 July 2010. This would mean that entities applying the amended IAS 27 and its respective consequential amendments starting from 1 July 2009 as required at first would have to consider the consequential amendments retrospectively and account for respectively. Later on – when the currently proposed amendment becomes effective – they would have to change this and account for prospectively. We think that this is not really meaningful and therefore would appreciate an additional clarification that entities which had accounted for in respect of these consequential amendments retrospectively should be able to continue doing so, i.e. they should not be required to change the accounting from retrospective application of the consequential amendments to prospective.

In addition to this, we question, whether this amendment really represents an *amendment* in the narrow sense, or rather an *editorial correction* as the **Basis for Conclusion** states it was the original Board intention to require prospective application. This implies that the lack of explicit transitional provisions for the adoption of the respective consequential amendments was simply an editorial mistake. If this is the case the amendments should be applicable as soon as the IASB had recovered the mistake and announced this. In this case this means the time when the IASB Update, May 2009, had been published.

**Kommentar [s3]:** Wie auf Seite 3 ist die Einordnung des Änderungssachverhalts in der SN nach Veröffentlichung des ED noch zu überprüfen.

## **Proposed amendment to International Accounting Standard 34 *Presentation of Financial Statements***

### ***Interim disclosures of fair value***

We agree with the amendments to IAS 34 proposed in order to emphasise the IAS 34's disclosure principles and illustrate their application, which means that explanation of events and transactions and updates of annual report information in the notes to the interim report is only required when the events and transactions and the updated information, respectively, are *significant* to the understanding of the changes in the entity's financial position and performance since the last annual reporting period.

In our view this is a clear and appropriate principle. Its application to all disclosures in interim reports and, therefore, also to disclosures regarding fair value measurements and reclassifications of financial instruments is appropriate. Moreover, we think the IAS 34's disclosure principles – which mean in our view in particular the '*significant principle*' – represent the most meaningful disclosure approach regarding interim reports in order to provide decision-useful information. It is clear that management's judgment is required in order to assess which events and transactions and updated information are significant to the understanding of the entity's financial position and performance. However, management's judgement is an essential element in financial reporting. We see no reason why for some disclosures in the interim report the IAS 34's disclosure principles are considered to be sufficient and for others (e.g. fair value measurement disclosures) they are not. We think the principles should apply to all disclosures and, therefore, we would like to stress again that we absolutely agree with the proposed amendment. In addition, we would appreciate it if the IASB also considers this in connection with other possible upcoming amendments to IAS 34.

We agree with the proposed effective date of **1 January 2011** and a **retrospective** application of the amendment.

## **Proposed amendment to International Accounting Standard 40 *Investment Property***

### ***Change from fair value model to cost model***

We do not agree with the proposed amendment because we do not consider this amendment appropriately addressed by the Annual Improvements Process. Insofar, we refer to our comments to the IAS 40 amendment in the first cycle of the annual improvements process regarding investment property under construction.

## **Proposed amendment to IFRIC Interpretation 13 *Customer Loyalty Programmes***

### ***Measuring the fair value of award credits***

We agree with the amendment proposed in order to clarify that the fair value of the awards for which the credits could be redeemed is *not* the same as the fair value of the award credits.

We also agree with the proposed effective date of **1 January 2011** and with **retrospective** application.

However, we think that it is important to point out that an entity that has estimated the fair value of its award credits up to date in a way that has not been in accordance with the now proposed clarification – because until now the entity has interpreted the requirements in IFRIC 13 in such a way that the fair value of the awards and the fair value of the award credits are equal – has not made an accounting error. Instead any change in measuring the fair value of award credits following the now proposed clarification to paragraphs AG2 and IE1 of IFRIC 13 should clearly be regarded as a change in accounting policies.