# INVITATION TO COMMENT ON EFRAG'S INITIAL ASSESSMENTS OF IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)

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| **Comments should be sent to commentletters@efrag.org or uploaded via our website by 11 March 2012** |

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the five new and amended standards that address the accounting for consolidation and joint arrangements ('the Standards'), namely IFRS 10 *Consolidated Financial Statements* (IFRS 10), IFRS 11 *Joint Arrangements* (IFRS 11), IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27 *Separate Financial Statements* (IAS 27 (2011)) and IAS 28 *Investments in Associates and Joint Ventures* (IAS 28 (2011)).

In order to do that, EFRAG has been carrying out an assessment of each of the Standards against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union ('EU') and European Economic Area.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

**Personal information**

Please provide the following details about yourself:

(a) Your name or, if you are responding on behalf of an organisation or company, its name:

Accounting Standards Committee of Germany (ASCG)

(b) Are you a:

☐ Preparer ☐ User ☒ Other (please specify)

National Standard Setter

(c) Please provide a short description of your activity:

See above

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

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**Invitation to Comment on EFRAG's Initial Assessments of IFRS 10**

1 EFRAG's initial assessment of IFRS 10 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 10 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 10 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 10? If there are, what are those issues and why do you believe they are relevant to the evaluation?

None.

2 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 10 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

3 The results of the initial assessment of costs are set out in paragraphs 4 to 42 of Appendix 3 of *IFRS 10 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that all preparers will incur additional costs to implement the requirements in IFRS 10, and for some preparers (particularly companies in the banking industry and insurance industry), the initial costs of implementation and conducting the required analysis will be significant, with ongoing costs being less significant and decreasing over time. Furthermore, EFRAG's Initial Assessment is that IFRS 10 is unlikely to result in significant costs for users.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

As a national standard setter we are not in a position to comment on this issue.

4 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 10. The results of the initial assessment of benefits are set out in paragraphs 43 to 54 of Appendix 3 of *IFRS 10 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that preparers and users are likely to benefit from IFRS 10. In particular in areas where current IFRSs was silent or contained limited guidance, the new requirements should enhance consistency of application and increase comparability for users, in a significant way.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

5 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 10 in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 10.

Do you agree that there are no other factors?

☒ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

**Invitation to Comment on EFRAG's Initial Assessments of IFRS 11**

7 EFRAG's initial assessment of IFRS 11 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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(b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 11? If there are, what are those issues and why do you believe they are relevant to the evaluation?

None.

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8 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 11 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 7 to 40, 46 to 51 and 56 to 71 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that:

(a) IFRS 11 is likely to result in incremental one-off costs for preparers, which for some preparers could be significant. Preparers that expect to be most affected are (1) those that have interests in joint operations structured through a separate vehicle, which were previously accounted for under the equity method, and (2) those that present only separate financial statements and have interests in joint operations structured through separate vehicle;

(b) The incremental ongoing costs will not be significant for most of preparers. However, the ongoing costs could be significant for some preparers; in particular those that have interests in numerous joint operations structured through separate vehicle and that present only separate financial statements; and

(c) IFRS 11 is unlikely to result in significant costs for users.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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As a national standard setter we are not in a position to
comment on this issue.
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9 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 11. The results of the initial assessment of benefits are set out in paragraphs 41 to 44, 52 to 54, and 72 to 75 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IFRS 11 will provide significant benefits for users and some benefits for preparers.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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As a national standard setter we are not in a position to
comment on this issue.
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10 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 11 in the EU as described in paragraph 9 of above are likely to outweigh the costs involved as described in paragraph 8 above.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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As a national standard setter we are not in a position to
comment on this issue.
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11 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 11.

Do you agree that there are no other factors?

☒ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

**Invitation to Comment on EFRAG's Initial Assessments of IFRS 12**

12 EFRAG's initial assessment of IFRS 12 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 12 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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(b) Are there any issues that are not mentioned in Appendix 2 of of *IFRS 12 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 12? If there are, what are those issues and why do you believe they are relevant to the evaluation?

None.

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13 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 12 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 5 to 40 of Appendix 3 of *IFRS 12 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that:

(a) some preparers are likely to incur significant one-off costs from implementing IFRS 12, in particular when they have numerous interests in other entities and when getting access to data is difficult;

(b) the ongoing costs of providing the disclosures are likely to be insignificant in most cases, once preparers are acquainted with the new requirements and have adapted their systems and processes to meet the requirements and collected data for the first time; and

(c) IFRS 12 is likely to result in significant one-off costs for users (particularly in those cases where detailed changes to their models are needed) and in cost savings on an ongoing basis.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

As a national standard setter we are not in a position to comment on this issue.

14 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 12. The results of the initial assessment of benefits are set out in paragraphs 41 to 45 of Appendix 3 of *IFRS 12 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that preparers are likely to benefit from IFRS 12 as the new disclosures are expected to improve the communication with users. Furthermore, EFRAG's initial assessment is that IFRS 12 will bring significant long-term benefits to users.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

15 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 12 in the EU as described in paragraph 14 above are likely to outweigh the costs involved as described in paragraph 13 above.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

16 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 12.

Do you agree that there are no other factors?

☒ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

**Invitation to Comment on EFRAG's Initial Assessments of IAS 28 (2011)**

17 EFRAG's initial assessment of IAS 28 (2011) is that it meets the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IAS 28 (2011) - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of *IAS 28 (2011) - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IAS 28 (2011)? If there are, what are those issues and why do you believe they are relevant to the evaluation?

None.

18 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IAS 28 (2011) in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment. The amendment relating to disclosure is discussed in EFRAG's initial assessment of IFRS 12.

The results of the initial assessment of costs are set out in paragraphs 7 and 8 of Appendix 3 of *IAS 28 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that, for preparers, IAS 28 (2011) would involve a decrease in costs. For users, costs are unlikely to be significantly affected by IAS 28 (2011).

Do you agree with this assessment?

☐ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

As a national standard setter we are not in a position to comment on this issue.

19 In addition, EFRAG is assessing the benefits that are likely to be derived from IAS 28 (2011). The results of the initial assessment of benefits are set out in paragraphs 9 to 11 of Appendix 3 of *IAS 28 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 28 (2011) does not affect benefits for preparers in any significant way, and the users are likely to benefit from IAS 28 (2011), as the information resulting from them will assist users in their analysis.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

20 EFRAG has tentatively concluded that the benefits to be derived from implementing IAS 28 (2011) in the EU as described in paragraph 19 above are likely to outweigh the costs involved as described in paragraph 18 above.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

21 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IAS 28 (2011).

Do you agree that there are no other factors?

☒ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

**Invitation to Comment on EFRAG's Initial Assessments of IAS 27 (2011)**

22 EFRAG's initial assessment of IAS 27 (2011) is that they meet the technical criteria for endorsement. In other words, IAS 27 (2011) is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IAS 27 (2011) - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of *IAS 27 (2011) - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IAS 27 (2011)? If there are, what are those issues and why do you believe they are relevant to the evaluation?

None.

23 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IAS 27 (2011) in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 4 to 6 of Appendix 3 of *IAS 27 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 27 (2011) will not result in any significant costs for users and preparers.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

As a national standard setter we are not in a position to comment on this issue.

24 In addition, EFRAG is assessing the benefits that are likely to be derived from IAS 27 (2011). The results of the initial assessment of benefits are set out in paragraphs 4 to 6 of Appendix 3 of *IAS 27 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 27 (2011) will not result in any significant benefits for prepares and users.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

25 EFRAG's initial assessment is that the benefits to be derived from implementing IAS 27 (2011) in the EU as described in paragraph 24 above are likely to balance the costs involved as described in paragraph 23 above.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

26 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IAS 27 (2011).

Do you agree that there are no other factors?

☒ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

**Invitation to Comment on EFRAG's Initial Assessment of the date of transition**

27 EFRAG has prepared a draft of the endorsement advice letter it will issue to the European Commission that recommends that the effective date of the Standards should be 1 January 2014, with early application permitted. Given the interaction between the Standards, EFRAG recommends that they be adopted by companies at the same time, and therefore recommends the deferral of the effective date to apply to all Standards.

In reaching its conclusions, EFRAG considered a number of factors, which are described in EFRAG's *Draft cover letter to the European Commission* issued together with this invitation to comment.

Do you agree with EFRAG's recommendation that the Standards should be effective in the EU as of 1 January 2014, with early application permitted?

☒ Yes ☐ No

If you do not agree with this recommendation, please explain your position?

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**Additional remarks:**

**The ASCG supports EFRAG´s recommendation that the Standards should be effective in the EU as of 1 January 2014, with early application permitted.**

**Furthermore, we want to emphasize that this additional time should be used for providing further clarification or guidance in regards to several issues of IFRS 10 and IFRS 11, as were mentioned in the respective dissenting opinions of EFRAG TEG-members.**