Deutsches Rechnungslegungs Standards Committee e.V.
Accounting Standards Committee of Germany
® IFRS-Fachausschuss

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EFRAG
Françoise Flores
Chairman EFRAG TEG
35 Square Meeûs

B-1000 Brussels

Berlin, 27 January 2014

Dear Françoise,

IASB ED/2013/10 *Equity Method in Separate Financial Statements*

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on EFRAG's Draft Comment Letter on the IASB's ED/2013/10 *Equity Method in Separate Financial Statements* (hereafter referred to as 'the ED'). We appreciate the opportunity to respond to EFRAG's Draft Comment Letter.

Our answers to the questions to constituents included in EFRAG's draft comment letter issued 9 January 2014 are attached as an appendix to this letter.

For our comments on the questions raised in the ED, please refer to the comment letter we submitted to the IASB, a copy of which is attached to this letter.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Appendix - Answers to EFRAG's questions to constituents

EFRAG's questions to constituents

Do you consider that adding the equity method option in separate financial statements will result in cost savings for preparers? Please explain.

Does the application of the equity method to subsidiaries in the financial statements give rise to any issues that are not identified above? Please explain.

1 German entities are required to present separate financial statements in accordance with German GAAP. The presentation of separate financial statements that comply with IFRSs can be done on a voluntary basis, but this is not common. Therefore, we do not expect cost savings for German preparers.

2 Even so, we understand that the proposed amendments provide relief for entities, who are required to present separate financial statements prepared in accordance with IFRSs as well as separate financial statements in accordance with national regulations and especially, where the use of the equity method is the only difference between those. Therefore, we agree with the IASB´s intention to better align the measurement options and support the proposed amendments.

3 Please refer to our comment letter to the IASB, as attached to this letter, for further comments and issues identified.

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Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

United Kingdom

Berlin, 27 January 2014

Dear Hans,

IASB ED/2013/10 *Equity Method in Separate Financial Statements*

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the Exposure Draft ED/2013/10 *Equity Method in Separate Financial Statements* (hereafter referred to as ´the ED´). We appreciate the opportunity to comment on this Exposure Draft.

The ASCG agrees with the IASB's intention to restore the option to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity. Therefore, we support the proposed amendments to IAS 27 *Separate Financial Statements.*

Even so, we think that further clarifications regarding the consequential amendment to IAS 28.25 would be beneficial and that the existing exemptions for first-time adopters should be extended to cover investments in subsidiaries in the separate financial statements.

Please find our detailed comments on the questions raised in the ED in the appendix to this letter. If you would like to discuss our views further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Appendix – Answers to the questions of the Exposure Draft

Question 1 – Use of the equity method

The IASB proposes to permit the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

Do you agree with the inclusion of the equity method as one of the options? If not, why?

1 The ASCG agrees with the inclusion of the equity method as one of the options to account for an entity´s investments in subsidiaries, joint ventures and associates in the entity´s separate financial statements.

2 We understand that the proposed amendments provide relief for entities, who are required to present separate financial statements prepared in accordance with IFRSs as well as separate financial statements in accordance with national regulations and especially, where the use of the equity method is the only difference between those.

3 Therefore, we agree with the IASB´s intention to better align the measurement options and support the proposed amendments.

Question 2 – Transition provisions

The IASB proposes that an entity electing to change to the equity method would be required to apply that change retrospectively, and therefore would be required to apply IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?

4 We agree with the proposed transition provisions.

Question 3 – First-time adopters

The IASB does not propose to provide any special relief for first-time adopters. A first-time adopter electing to use the equity method would be required to apply the method from the date of transition to IFRSs in accordance with the general requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Do you agree that a special relief is not required for a first-time adopter? If not, why and what alternative do you propose?

5 Considering that the proposed amendments include the equity method as one of the options for measuring investments in subsidiaries as well as joint ventures and associates in the separate financial statements of an entity, we would deem it helpful, if an exemption for first-time adopters would be provided for investments in subsidiaries in the separate financial statements, similar to the exemption for past business combinations provided for in IFRS 1.C1 and extended in IFRS 1.C5 to past acquisitions of investments in associates and of interests in joint ventures.

Question 4 – Consequential amendment to IAS 28 *Investments in Associates and Joint Ventures*

The IASB proposes to amend paragraph 25 of IAS 28 in order to avoid a conflict with the principles of IFRS 10 *Consolidated Financial Statements* in situations in which an entity loses control of a subsidiary but retains an ownership interest in the former subsidiary that gives the entity significant influence or joint control, and the entity elects to use the equity method to account for the investments in its separate financial statements.

Do you agree with the proposed consequential amendment? If not, why?

6 The ASCG supports the proposed consequential amendment to paragraph 25 of IAS 28. We think that the change proposed helps to avoid conflicting accounting when control of a subsidiary, which was accounted for *at equity* in the separate financial statements, is lost. As intended by the Board, the revised wording of IAS 28.25 prevents the application by analogy to the loss of control of a subsidiary and thus the accounting for the retained investment using the existing carrying value.

7 Even so, we would find it helpful, if further clarification would be given in the Basis for Conclusions, that the intended accounting in such a situation is to apply the principles of

IFRS 10, specifically IFRS 10.25(b), that require an entity to recognise any investment retained in a former subsidiary at its fair value when control is lost. We think that such an explicit clarification would better achieve the intention of the Board.

8 Further, we propose an additional clarification in the Basis for Conclusions, that the principles of IFRS 10, specifically IFRS 10.25(b), that require an entity to recognise any investment retained in a former subsidiary at its fair value when control is lost, also apply, if the subsidiary and the investment retained in the former subsidiary are accounted for *at cost* in the separate financial statements.

Question 5 – Other comments

Do you have any other comments on the proposals?

9 We do not have other comments.