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Accounting Standards Committee of Germany
®IFRS-Fachausschuss

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Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
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Berlin, 14 February 2014

Dear Hans,

IASB ED/2013/11 Annual Improvements to IFRSs (2012-2014 Cycle)

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the Exposure Draft ED/2013/11 *Annual Improvements to IFRSs* (hereafter referred to as ´the ED´). We appreciate the opportunity to comment on this ED.

The ASCG welcomes the proposed amendments and agrees with them, except for the amendment to IAS 19. We consider the amendment to IAS 19 neither being sufficiently clear nor being exhaustive to clarify the issue. We provide some specific arguments on this issue in the appendix to this letter.

Please find our detailed comments on all proposed amendments 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 A – Answers to the questions of the Exposure Draft

Question 1 - Proposed amendment

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

Question 2 - Transition provisions and effective date

Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

IFRS 5 – Changes in methods of disposal

Q1: We agree with the proposed amendment.

Q2: We agree with both, the transition provisions as well as the effective date.

IFRS 7 – Servicing contracts

Q1: We basically agree with the proposed clarification. However, we would like to point to two particular aspects that warrant further consideration, or even require changes to the proposals as well as to existing requirements:

- The term "continuing involvement" as used in IFRS 7 causes some confusion since it also appears in IAS 39, an "involvement" further appears in IFRS 10. All terms do not share the same understanding. In particular, in IAS 39 it is used in a narrow sense, which only relates to the question of (de)recognition and which comprises the retention of risks and rewards. However, in IFRS 7 and IFRS 10/12 "involvement" is used in a wider sense. We propose to clarify or define the term in IFRS 7.
- The rationale for requiring disclosures (IFRS 7.42E et seq.) about servicing contracts, in case there is a continuing involvement, seems arguable. We wonder whether servicing contracts, as long as they are closed at market conditions, actually warrant particular disclosures simply for the fact that they result from earlier transfers of assets (which are derecognised entirely) – in contrast to those servicing contracts that do not have such "history". This results in a different treatment (i.e. disclosure requirements) of contracts which are essentially similar.

Q2: We agree with both.

IFRS 7 – Applicability of amendments to condensed interim financial statements

Q1: We agree with the amendment as it underlines the principle of IAS 34. However, it does neither explicitly nor implicitly answer the question of whether such offsetting disclosures should be made in condensed interim financial statements. We deem this question being of particular interest for the financial sector. One specific reason is that financial statements prepared in accordance with IFRSs are often compared with those in accordance with US GAAP, with both not facing identical requirements with regard to offsetting (and disclosure) requirements. Thus, it is expected that uncertainty (and incomparability) will remain as to whether, and when, these offsetting disclosures are required in the context of condensed interim financial reports.

Q2: We agree with both.

In addition, we would like to note that nearly all IFRS amendments have an impact on interim financial statements. Mostly, those amendments have first to be applied to interim financial statements before they are applied to annual financial statements, thus, application to interim financial statements often is the earliest hurdle to take and the requirement, if insufficiently designed, could raise early questions. Therefore, we ask the IASB to expand its efforts and carefully consider those impacts and consequences on interim financial statements or reports whenever developing an IFRS amendment and/or new IFRS.

IAS 19 – Discount rate: regional market issue

Q1: We welcome the intention to amend para. 83 in respect of this specific regional market issue. We also agree with solely amending this particular aspect, while other aspects in the area of discount rate are still under discussion and other amendments might be pending.

However, we deem the proposed amendment of para. 83 not being precise enough in order to avoid diversity in practice. First, a concern arises from different views regarding the origin of the high quality corporate bond (HQCB) used. According to one view, all worldwide available HQCB, denominated in the same currency as the post-employment benefit obligation, have to be considered when determining the discount rate. E.g. in determining the discount rate for a post-employment benefit obligation denominated in EURO, all HQCB available worldwide denominated in EURO are to be considered even those issued by an entity headquartered e.g. in Brazil. According to a different view, if there is a deep market for HQCB in one country (e.g. Germany), only HQCB from that country's entities have to be considered in determining the discount rate. If there is no deep market on the country level, one shall consider HQCB from other countries or a region (e.g. Eurozone). Second, we are not sure whether the understanding of this "currency" principle would apply similarly to government bonds. E.g. if there were no deep market for any HQCB in EURO, hence, the discount rate is to be determined by market yields on government bonds "denominated in that currency", should an entity consider government bonds denominated in EURO in its own country, or in any other country of the Eurozone, or even in any country worldwide? Therefore, we ask the IASB to provide more guidance on how to determine the discount rate.

In addition, we would like to mention that, amongst several other aspects about "discount rate" that need clarification, the quality of the government bonds used should also be discussed in this context. While corporate bonds have to be “high quality”, government bonds so far could have a much lower rating, e.g. a "D" rating. We think this warrants clarification.

Generally, we would like to point out that, in our opinion, the objective of the discount rate has to be determined to allow for an adequate interpretation and application of the requirements regarding the discount rate. Therefore we would suggest that the IASB specify the objective of the discount rate in IAS 19.

Q2: We agree with both.

IAS 34 – Disclosure of information elsewhere in the interim financial report

Q1: We basically agree with the proposed amendment. However, we like to note that we deem the wording of "same time" being unclear. Whereas we understand the principle behind, we wonder whether it requires to be the same day or another (longer or shorter) period of time. Thus, we propose to replace "same time" by "same date".

Q2: We agree with both.