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Berlin, 26 February 2014

Dear Françoise,

## **DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON ANNUAL IMPROVEMENTS TO IFRSs 2010-2012 CYCLE**

On behalf of the German IFRS Committee I am writing to comment on EFRAG's Assessment of the amendments made by the IASB within the annual improvements project which were included in the standard *Annual Improvements to IFRSs 2010-2012 Cycle*.

We agree with the views set out in the assessment. As a national standard-setter we are not in a position to answer the questions regarding the costs that will arise for preparers and for users to implement the amendment. We therefore sent your assessment-form to the DAX30 entities and got feedback from one company, which indicated that it agrees to the assessment made by EFRAG.

As attachments to this letter you will find our comments to the above mentioned assessment as well as the comments received from one DAX30 entity.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr  
*President*

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON  
ANNUAL IMPROVEMENTS TO IFRSs 2010-2012 CYCLE****INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

Comments should be sent to [commentletters@efrag.org](mailto:commentletters@efrag.org) by 3 March 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Annual Improvements to IFRSs 2010-2012 Cycle* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments 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 (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1.

**Note to constituents**

*Annual Improvements to IFRSs 2010-2012 Cycle* include consequential amendments to IFRS 9 *Financial Instruments*, which has not yet been endorsed in the EU. Those consequential amendments are not addressed in this Draft Endorsement Advice and will be considered together with the related requirements in IFRS 9.

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.

**EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.**

1 Please provide the following details about yourself:

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

Liesel Knorr, ASCG (Accounting Standards Committee

of Germany)

- (b) Are you a:

Preparer  User  Other (please specify)

National Standard Setter

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

see above (b)

*Annual Improvements to IFRSs 2010-2012 Cycle –  
Invitation to Comment on EFRAG's Initial Assessments*

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(d) Country where you are located:

Germany

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(e) Contact details including e-mail address:

Liesel Knorr - c/o DRSC e.V.

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Zimmerstr. 30; 10969 Berlin

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knorr@drsc.de

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2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

(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 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

none

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3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments 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 3, 8, 10, 20, and 23 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 2 and to IFRS 3 is that:

(a) IFRS 2 Share-based Payment – Definition of vesting condition: Overall, EFRAG's initial assessment is that the implementation of the Amendments to IFRS 2 is likely to result in some one-off costs for preparers while we believe that these amendments will not result in increased ongoing costs both for preparers and users; and

*Annual Improvements to IFRSs 2010-2012 Cycle –  
Invitation to Comment on EFRAG's Initial Assessments*

- (b) IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination: Overall, EFRAG's initial assessment is that the Amendments to IFRS 3 are likely to result both in insignificant one-off and ongoing costs both for preparers and 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?

We as a national standard setter are not in a position to comment on this issue.

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The constituent responding to this survey agrees with EFRAG's assessment.

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- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments.

The results of the initial assessment of costs are set out in paragraphs 3, 15 and 29 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 2 and to IFRS 3 is that:

- (a) IFRS 2 Share-based Payment – Definition of vesting condition: Overall, EFRAG's initial assessment is that both preparers and users are likely to benefit from the Amendments to IFRS 2, as they are likely to reduce the ongoing cost of preparing and interpreting financial information on share-based plans; and
- (b) IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination: Overall, EFRAG's initial assessment is that users and preparers are likely to benefit from the Amendments to IFRS 3, as the information resulting from them will (1) remove inconsistency in the accounting of contingent consideration and therefore reduce complexity; and (2) increase comparability between entities and therefore enhance users' 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?

We as a national standard setter are not in a position to comment on this issue.

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The constituent responding to this survey agrees with EFRAG's assessment.

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- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments 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?

We as a national standard setter are not in a position to comment on this issue.

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The constituent responding to this survey agrees with EFRAG's assessment.

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- 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 the Amendments.

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?

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1 Please provide the following details about yourself:

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

[Infineon Technologies AG, Neubiberg, Germany](#)

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\_\_\_\_\_

- (b) Are you a:

X Preparer  User  Other (please specify)

\_\_\_\_\_

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

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Infineon Technologies AG designs, develops, manufactures and markets a broad range of semiconductors and systems solutions. The focus of activities is on automotive electronics, industrial electronics and chip-card based security

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(d) Country where you are located:

Germany

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(e) Contact details including e-mail address:

Alexander Foltin  
Am Campeon 1-12  
85579 Neubiberg  
Phone: +49 (89) 234 23766

Email: [alexander.foltin@infineon.com](mailto:alexander.foltin@infineon.com)

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(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 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

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Do you agree with this assessment?

X 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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Do you agree with this assessment?

X Yes  No

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Do you agree that there are no other factors?

X Yes  No

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

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