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EFRAG
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Berlin, 16 January 2015

Dear Roger,

DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Assessment of IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15').

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 IFRS 15. We therefore sent your assessment form to the DAX30 as well as some other large listed entities and got feedback from eight entities. Seven of them indicated that they generally agree with the assessment made by EFRAG. One entity indicated that, in its view, the benefits of adopting IFRS 15 will not outweigh the costs.

You will find our comments to the above mentioned assessment as well as those received from the DAX30 entities as attachments to this letter.

Furthermore, in your assessment you raise the point that publication of the final Standard in spring 2014 reduces the time available for implementation to less than three years. You therefore ask in Question 4 whether we assess that it will be possible to apply IFRS 15 by 1 January 2017.

Again, as a national standard-setter we are not in a position to answer this question ourselves. However, in addition to your assessment we explicitly asked our constituency whether they would prefer a change of the mandatory effective date to 1 January 2018.



We received 25 responses (from the DAX30 as well as some other large listed entities) with mixed views:

- 12 entities supported shifting the effective date of IFRS 15 for one year;
- 10 entities were neutral in their feedback; and
- only 3 favoured the proposed application date 2017 (mainly due to implementation projects which they have already started or other projects they would give higher priority from 2018 onwards).

Although our assessment only indicates preferences from the preparers' side and does not necessarily answer the question whether an application in 2017 would be achievable for them anyhow, we can acknowledge that we did not receive much support for a mandatory effective date 2017.

In our view, a shift of the mandatory effective date from 2017 to 2018 could therefore be arguable provided the following conditions are met:

- Early application needs to be permitted and transitional options shall remain unchanged compared to current IFRS 15.
- The endorsement procedure of IFRS 15 (i.e. the process until the publication of the Standard in the EU Official Journal) shall not be postponed or delayed by the discussion about a change in the effective date.
- Effective dates for IFRS in the EU diverging from the date set by the IASB and the rest of the world should remain rare.

Difficulties arising from an implementation period shorter than three years are not EU specific and should be acknowledged by the IASB. We would strongly prefer if any changes to the effective date would not be a unilateral attempt on the EU level in its endorsement process but would instead follow a joint decision made by the IASB and FASB. Simultaneously changing IFRS 15 and the corresponding US GAAP requirements would keep the same mandatory effective dates for the converged principles on revenue recognition globally. However, we hold the view that such a change of the effective date of a new, final and published Standard should remain an exception. In this particular case it might be arguable, as a full three years seems to be necessary to achieve proper implementation of IFRS 15.

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 IFRS 15 *Revenue from Contracts with Customers*****INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 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 IFRS 15 is set out in Appendix 1.

Notes to constituents

The endorsement advice on IFRS 15 will be finalised by EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process. As a result, any dissenting views from the final endorsement advice would be the views of EFRAG Board members.

IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

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)

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Liesel Knorr - c/o DRSC e.V.

Zimmerstr. 30; 10969 Berlin

knorr@drsc.de

- 2 EFRAG's initial assessment of IFRS 15 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.

(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 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 15 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 - 37 of Appendix 3. To summarise, EFRAG's initial assessment is that there may be significant one-off and ongoing cost for preparers to collect and process the information needed to apply IFRS 15. Users may incur one-off costs to update their models and restate the historical information into a comparable format.

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.

The constituents responding to this survey basically agree with EFRAG's assessment. Some constituents particularly raised issues with significant one-off costs and casted doubts as to whether IFRS 15 will lower the cost of capital for the affected reporting entities.

- 4 When commenting on the Exposure Draft that resulted in IFRS 15, EFRAG expressed the view based on the results of its public consultation that a full three years was necessary to achieve proper implementation of the Standard. Publication of the final Standard in the spring of 2014 (instead of mid-2013 as expected) reduces the time available for implementation to less than three years. Having regard to the final transition requirements that are meant to ease implementation of the standard, do you assess it will be possible to apply IFRS 15 by 1 January 2017 (this question is only relevant if you are preparing financial statements under IFRS)?

☐ Yes ☐ No

If you do not, please explain why you do not think it would be possible.

IFRS 15 – Invitation to Comment on EFRAG's Initial Assessments

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

Most of the constituents responding to this survey agree with EFRAG's assessment.

However one constituent considered a transition timeframe of 2.5 years for the implementation of IFRS 15 to be insufficient.

In addition to this survey, we explicitly asked our constituency whether they would prefer a change of the mandatory effective date to 1 January 2018. We received 25 responses (from the DAX30 as well as some other large listed entities), with a majority indicating a preference for such a change. For further details we refer to our cover letter.

- 5 In addition to considering the costs, EFRAG is assessing the benefits that are likely to be derived from IFRS 15. The results of the initial assessment of benefits are set out in paragraphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial assessment is that users will generally benefit from the Standard as it will result in relevant, reliable, comparable and understandable information. Preparers will also benefit from a robust and comprehensive framework applying to all contracts with customers, across industries. In addition, preparers may benefit from the guidance provided in IFRS 15 which is more comprehensive than in previous Standards on revenue.

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.

Most of the constituents responding to this survey agree with EFRAG's assessment.

However, some constituents remarked that some of the new principles set out in IFRS 15 (e.g. for multiple element arrangements) are complex and difficult to understand.

- 6 EFRAG's initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of

having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

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.

Most of the constituents responding to this survey agree with EFRAG's assessment.

However, one constituent clearly indicated that in his view the benefits of adopting IFRS 15 will not outweigh the costs.

- 7 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☐ Yes

☒ No

If 'yes', please provide your reasons.

- 8 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 15.

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?

ACSG Analysis

16.01.2015

Chief Accountant Questionnaire: DAX30 and other large listed German groups

Compa	Effective Date of IFRS 15		
No.	<i>I prefer a mandatory effective date 2017</i>	<i>I prefer a mandatory effective date 2018</i>	<i>Indifferent between 2017 and 2018</i>
1		X	
2			X
3	X		
4			X
5			X
6		X	
7		X	
8			X
9			X
10		X	
11		X	
12		X	
13		X	
14			X
15		X	
16		X	
17			X
18			X
19			X
20		X	
21	X		
22		X	
23			X
24	X		
25		X	
	3	12	10

DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 *Revenue from Contracts with Customers*

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 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 IFRS 15 is set out in Appendix 1.

Notes to constituents

The endorsement advice on IFRS 15 will be finalised by EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process. As a result, any dissenting views from the final endorsement advice would be the views of EFRAG Board members.

IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

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:

XXX AG

(b) Are you a:

☒ Preparer ☐ User ☐ Other (please specify)

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

Healthcare / Cropscience / Materialscience

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

-
- 2 EFRAG's initial assessment of IFRS 15 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.

(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 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?

An entity shall apply paragraph B63 to account for consideration in the form of a sales-based or usage-based royalty that is promised in exchange for a licence of intellectual property. The question is whether this exception is still applicable if a license is granted up to the end of patent life or whether this has to be accounted for as sale transaction. If it is a sale one might have to draw the conclusion that a "minimum" according to §53 and 56 has to be recognized. Based on the high uncertainty related to sales based royalties for IP (depending on industry) B63 should be applied for all usage based royalties - irrespective of up to the end of patent life or shorter. If further industry insights might be of interest for EFRAG to consider this issue. Submitter would be open to share views.

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 15 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 - 37 of Appendix 3. To summarise, EFRAG's initial assessment is that there may be significant one-off and ongoing cost for preparers to collect and process the information needed to apply IFRS 15. Users may incur one-off costs to update their models and restate the historical information into a comparable format.

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?

- 4 When commenting on the Exposure Draft that resulted in IFRS 15, EFRAG expressed the view based on the results of its public consultation that a full three years was necessary to achieve proper implementation of the Standard. Publication of the final Standard in the spring of 2014 (instead of mid-2013 as expected) reduces the time available for implementation to less than three years. Having regard to the final transition requirements that are meant to ease implementation of the standard, do you assess it will be possible to apply IFRS 15 by 1 January 2017 (this question is only relevant if you are preparing financial statements under IFRS)?

☒ Yes

☐ No

If you do not, please explain why you do not think it would be possible.

However we would be supportive to shift mandatory application date while allowing for early application in line with full IFRS.

- 5 In addition to considering the costs, EFRAG is assessing the benefits that are likely to be derived from IFRS 15. The results of the initial assessment of benefits are set out in paragraphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial assessment is that users will generally benefit from the Standard as it will result in relevant, reliable, comparable and understandable information. Preparers will also benefit from a robust and comprehensive framework applying to all contracts with customers, across industries. In addition, preparers may benefit from the guidance provided in IFRS 15 which is more comprehensive than in previous Standards on revenue.

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?

- 6 EFRAG's initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of

having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

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?

- 7 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☒ Yes

☐ No

If 'yes', please provide your reasons.

- 8 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 15.

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?

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT
ON IFRS 15 *Revenue from Contracts with Customers*****INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 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 IFRS 15 is set out in Appendix 1.

Notes to constituents

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IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

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:

ProSiebenSat.1 Media AG, Medienallee 7, 85774 Unterföhring

(b) Are you a:

☒ Preparer ☐ User ☐ Other (please specify)

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

ProSiebenSat.1 Group is mainly engaged in broadcasting of advertising-funded Free TV primarily in Germany, Austria and Switzerland. Moreover, the Group develops, produces and distributes media programmes worldwide and engages in various activities adjacent to its TV business, such as online, ventures and commerce, music, travel, licensing and distribution.

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Robert Walter, IFRS Strategy & Services, ProSiebenSat.1 Media AG,
Medienallee 7, 85774 Unterföhring

robert.walter@prosiebensat1.com

- 2 EFRAG's initial assessment of IFRS 15 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.

(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.

In our view, it is too early to assess whether IFRS 15 will provide sound revenue recognition principles that provide a true and fair view of an entity's revenue-generating activities. The present principles under IAS 18, IAS 11 and the related interpretations are well-understood by preparers, auditors, enforcers and users of financial statements such as analysts and banks.

The widespread disconnect of billing and revenue recognition as well as the complex rules on identifying performance obligations and respective stand-alone selling prices may in our view lead to divergence in practice and thus undermine both understandability and comparability of financial statements.

The extensive disclosure requirements have the potential of obscuring rather

than enhancing the transparency of entities' revenue-generating activities.

- (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 IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?

None

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 15 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 - 37 of Appendix 3. To summarise, EFRAG's initial assessment is that there may be significant one-off and ongoing cost for preparers to collect and process the information needed to apply IFRS 15. Users may incur one-off costs to update their models and restate the historical information into a comparable format.

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 share EFRAG's belief that the costs of transition to IFRS 15 will be significant, both in terms of one –off costs of adjusting preparers' IT systems to cope with the increased data volume necessary to deliver revenue figures under IFRS 15 and in terms of ongoing costs of maintaining such expanded IT systems (for example for disclosure purposes). Transitioning to IFRS 15 will also involve significant costs for training staff (not just executive and senior accounting but also debtor and creditor accounting departments, given the potentially significant disconnect of billing and revenue recognition). Especially in the media sector, contracts are often negotiated on an individual contract-by-contract basis and thus do not lend themselves to be managed and processed in standardised databases, which may significantly complicate the revenue accounting process and thus further enhance costs.

Given our opinion stated in answering question 2, we do not share EFRAG's optimism that introducing IFRS 15 will serve to lower the cost of capital for enterprises. Divergence in applying the principles of the standard and the extensive disclosures, coupled with the potential for lengthy audits by enforcement agencies at this backdrop may, on the contrary, serve to increase entities' overall cost of capital.

- 4 When commenting on the Exposure Draft that resulted in IFRS 15, EFRAG expressed the view based on the results of its public consultation that a full three years was necessary to achieve proper implementation of the Standard. Publication of the final Standard in the spring of 2014 (instead of mid-2013 as expected) reduces the time available for implementation to less than three years. Having regard to the final transition requirements that are meant to ease implementation of the standard, do you assess it will be possible to apply IFRS 15 by 1 January 2017 (this question is only relevant if you are preparing financial statements under IFRS)?

☒ Yes

☐ No

If you do not, please explain why you do not think it would be possible.

We believe that the head-time for implementation, even with the standard having been published in 2014, is still sufficient for a proper transition to IFRS 15. With regard to recent developments in the United States, where a postponement of the implementation deadline has recently been actively discussed, we also believe that in order to ensure full comparability of financial statements worldwide, the IASB should follow the FASB, should it decide to postpone the initial application.

We would encourage EFRAG to ensure there is no timing disjuncture between the US and the rest of the world in applying the new standard.

- 5 In addition to considering the costs, EFRAG is assessing the benefits that are likely to be derived from IFRS 15. The results of the initial assessment of benefits are set out in paragraphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial assessment is that users will generally benefit from the Standard as it will result in relevant, reliable, comparable and understandable information. Preparers will also benefit from a robust and comprehensive framework applying to all contracts with customers, across industries. In addition, preparers may benefit from the guidance provided in IFRS 15 which is more comprehensive than in previous Standards on revenue.

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?

Our answer in to this question is more a "yes, but": We believe IFRS 15 may potentially lead to a more relevant accounting for revenue-generating activities. However, we also believe that, given the wording of the standard and its more rules-based approach than current guidance may generate "structuring opportunities" to arrive at desired accounting outcomes that do not properly reflect the substance of the transaction.

We also believe that the requirements for multiple-element transactions are complex and difficult to understand, both for preparers and users of financial statements. This, as mentioned above, may have the potential of increasing rather

than decreasing entities cost of capital.

We believe, however, that these obstacles may be overcome by extensive training and education by the IASB (we greatly welcome the IASB's and FASB's decision to set up a Transition Resource Group). We do appreciate that the standard may lead to more relevant accounting for revenue recognition, if properly understood and applied. It will be for the Boards to provide ongoing education to preparers, users, auditors and enforcers to address divergence that may arise in practice.

We also believe that IFRS 15 represents an important and worthwhile step towards arriving at a single set of high quality global accounting standards. Transitioning to IFRS 15 offers an opportunity to preparers to (re-)assess its revenue-generating activities and to streamline its contract management process (e.g. by introducing more standardised, less complex contracts), which may lower the overall cost burden and lead to a smoother overall accounting process.

- 6 EFRAG's initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

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 agree with EFRAG's assessment that some industries will be more significantly affected by IFRS 15 than others. In particular, industries with a large number of multiple element transactions such as telecommunications will be significantly affected. We also believe that media corporates with a variety of activities such as our Group will be affected by substantial transition costs.

We share EFRAG's belief that having a single revenue recognition principle **may** materially enhance comparability, provided the Boards properly educate preparers, users, auditors and enforcers about the application issues so as to avoid divergence in actual practice, unnecessary application errors and subsequent enforcement audit findings, once IFRS 15 has been implemented.

The significantly enhanced disclosures may impede the usability of financial statements, as mentioned earlier. We therefore believe that EFRAG should urge the IASB to address the issue of excessive disclosure requirements in its comments regarding the recent disclosure initiative.

- 7 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☐ Yes

☒ No

If 'yes', please provide your reasons.

- 8 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 15.

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?

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT
ON IFRS 15 *Revenue from Contracts with Customers*****INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

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IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

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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:

DEUTSCHE POST DHL

IFRS 15 – Invitation to Comment on EFRAG's Initial Assessments

(b) Are you a:

☒ Preparer ☐ User ☐ Other (please specify)

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

TRANSPORTATION & LOGISTICS

(d) Country where you are located:

GERMANY

(e) Contact details including e-mail address:

DIRK.BAUKMANN@DPDHL.COM

- 2 EFRAG's initial assessment of IFRS 15 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.

(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 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 15 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.

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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?

- 4 When commenting on the Exposure Draft that resulted in IFRS 15, EFRAG expressed the view based on the results of its public consultation that a full three years was necessary to achieve proper implementation of the Standard. Publication of the final Standard in the spring of 2014 (instead of mid-2013 as expected) reduces the time available for implementation to less than three years. Having regard to the final transition requirements that are meant to ease implementation of the standard, do you assess it will be possible to apply IFRS 15 by 1 January 2017 (this question is only relevant if you are preparing financial statements under IFRS)?

☒ Yes

☐ No

If you do not, please explain why you do not think it would be possible.

- 5 In addition to considering the costs, EFRAG is assessing the benefits that are likely to be derived from IFRS 15. The results of the initial assessment of benefits are set out in paragraphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial assessment is that users will generally benefit from the Standard as it will result in relevant, reliable, comparable and understandable information. Preparers will also benefit from a robust and comprehensive framework applying to all contracts with customers, across industries. In addition, preparers may benefit from the guidance provided in IFRS 15 which is more comprehensive than in previous Standards on revenue.

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?

- 6 EFRAG's initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

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?

- 7 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☐ Yes

☒ No

If 'yes', please provide your reasons.

- 8 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 15.

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?

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT
ON IFRS 15 *Revenue from Contracts with Customers*****INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

Comments should be sent to commentletters@efrag.org by 15 December 2014

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DEUTSCHE POST DHL

IFRS 15 – Invitation to Comment on EFRAG's Initial Assessments

(b) Are you a:

☒ Preparer ☐ User ☐ Other (please specify)

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

TRANSPORTATION & LOGISTICS

(d) Country where you are located:

GERMANY

(e) Contact details including e-mail address:

DIRK.BAUKMANN@DPDHL.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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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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☐ No

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Do you agree with this assessment?

☒ Yes

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Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☐ Yes

☒ No

If 'yes', please provide your reasons.

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

BMW AG, Munich

(b) Are you a:

☒ Preparer ☐ User ☐ Other (please specify)

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

Automotive Manufacturer

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Jonathan.Townend@bmw.de

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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.

- (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 IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?

Referring to paragraphs 44 and 90, BMW note that allocating variable

consideration to a specific performance obligation when this is consistent with

the management steering of the entity would also result in relevant information.

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 15 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.

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Do you agree with this assessment?

☒ Yes

☐ No

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Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☐ Yes

☒ No

If 'yes', please provide your reasons.

- 8 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 15.

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?

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT
ON IFRS 15 *Revenue from Contracts with Customers*
INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

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The Linde Group

(b) Are you a:

X Preparer ☐ User ☐ Other (please specify)

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

Gases & Engineering Company

(d) Country where you are located:

Worldwide, parent company: Germany

(e) Contact details including e-mail address:

Attn. Hans Fladung, Klosterhofstraße 1, 80331 Munich

Hans-dieter.fladung@linde.com

-
- 2 EFRAG's initial assessment of IFRS 15 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.

(a) Do you agree with this assessment?

X Yes ☐ No

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Do you agree with this assessment?

X Yes ☐ No

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X Yes ☐ No

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Do you agree with this assessment?

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Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☐ Yes ☒ No

If 'yes', please provide your reasons.

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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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Volkswagen AG

(b) Are you a:

☒ Preparer ☐ User ☐ Other (please specify)

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

Volkswagen Group is one of the world's leading automobile
manufacturers and the biggest carmaker in Europe

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Ingrun-Ulla Bartoelke, Head of group accounting

Ingrun-ulla.bartoelke@volkswagen.de

-
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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.

Please see our Appendix A

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Please see our Appendix A

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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?

Please see our Appendix A

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☐ Yes ☒ No

If you do not, please explain why you do not think it would be possible.

Please see our Appendix A

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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?

But provided our restriction described in our appendix A that

in specific circumstances a considerable effort in the

accounting does not lead to a benefit for users or preparers.

- 6 EFRAG's initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

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 believe that it is absolutely necessary to find a solution

for the circumstances set out in our Appendix A. Other-

wise the key industry of carmakers will be one of the industries for which the benefits will not outweigh the costs. Rather, considerable costs would occur here, which are

matched by almost no corresponding benefits.

- 7 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☒ Yes ☐ No

If 'yes', please provide your reasons.

Please see our Appendix A

-
- 8 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 15.

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?

Please see our Appendix A

Appendix:

Appendix A

to the DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15
Revenue from Contracts with Customers

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT
ON IFRS 15 *Revenue from Contracts with Customers*
INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 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 IFRS 15 is set out in Appendix 1.

Notes to constituents

The endorsement advice on IFRS 15 will be finalised by EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process. As a result, any dissenting views from the final endorsement advice would be the views of EFRAG Board members.

IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

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:

SAP SE, Walldorf, Germany

Miklos Szabo - Finance Expert and lead of the IFRS 15 implementation project

(b) Are you a:

X ☐ Preparer ☐ User ☐ Other (please specify)

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

I am the lead for the implementation of IFRS 15 at SAP SE.

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Miklos (Mike) Szabo
Finance Expert
Corporate Financial Reporting - Revenue Recognition
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- 2 EFRAG's initial assessment of IFRS 15 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.

(a) Do you agree with this assessment?

X ☐ 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 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No, all material items have been listed and sufficiently described in Appendix 2.

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 15 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 - 37 of Appendix 3. To summarise, EFRAG’s initial assessment is that there may be significant one-off and ongoing cost for preparers to collect and process the information needed to apply IFRS 15. Users may incur one-off costs to update their models and restate the historical information into a comparable format.

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?

We agree with the assessment and conclusions in Appendix 3.

- 4 When commenting on the Exposure Draft that resulted in IFRS 15, EFRAG expressed the view based on the results of its public consultation that a full three years was necessary to achieve proper implementation of the Standard. Publication of the final Standard in the spring of 2014 (instead of mid-2013 as expected) reduces the time available for implementation to less than three years. Having regard to the final transition requirements that are meant to ease implementation of the standard, do you assess it will be possible to apply IFRS 15 by 1 January 2017 (this question is only relevant if you are preparing financial statements under IFRS)?

X ☐ Yes ☐ No

If you do not, please explain why you do not think it would be possible.

While a significant undertaking, specifically for entities with complex and heterogeneous contracts, the transition to IFRS 15 within the available timeframe is possible.

- 5 In addition to considering the costs, EFRAG is assessing the benefits that are likely to be derived from IFRS 15. The results of the initial assessment of benefits are set out in paragraphs 38 - 41 of Appendix 3. To summarise, EFRAG’s initial assessment is that users will generally benefit from the Standard as it will result in relevant, reliable, comparable and understandable information. Preparers will also benefit from a robust and comprehensive framework applying to all contracts with customers, across industries. In addition, preparers may benefit from the guidance provided in IFRS 15 which is more comprehensive than in previous Standards on revenue.

Do you agree with this assessment?

X ☐ Yes ☐ No

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

- 6 EFRAG’s initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of

having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

Do you agree with this assessment?

X ☐ Yes ☐ No

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

- 7 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?

☐ Yes X ☐ No

If ‘yes’, please provide your reasons.

- 8 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 15.

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?
