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Berlin, 11 November 2015

Dear Wayne,

IFRS IC's tentative agenda decision on IAS 32 and IFRS 5 from the September meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the IFRS IC's tentative agenda decisions regarding IAS 32—*Liabilities for pre-paid cards* and IFRS 5—*Several issues*, which were both published in the September 2015 IFRIC Update.

We partly agree with the tentative decision on the IAS 32 issue that neither an interpretation nor an amendment (or even a clarification) is necessary. We agree with the Committee's finding that, based upon the existing literature applicable to the specific fact pattern, the definition of a financial liability is met. We therefore acknowledge that the requirements of IFRS 9 (or IAS 39) apply as to when, and to what extent, a financial liability shall be derecognised. However, we wonder whether the derecognition requirements pursuant to IAS 39 (or IFRS 9) are the most appropriate in the specific fact pattern, given that the derecognition principle in IFRS 15 (or in IFRIC 13) is different. While IFRS 9 (or IAS 39) only allows for derecognition upon the entity being discharged of its liability or the liability being cancelled or having expired—without considering any probability or remoteness—, IFRS 15 would consider remoteness of redemption when determining the contract liability. As the fact pattern (in particular, the three parties involved) for prepaid cards can be compared to similar events and circumstance, e.g. points or miles being awarded under a customer loyalty programme, we wonder whether different outcomes are warranted for fact patterns that are close to each other. We suggest that this issue be flagged for a more substantial review of the derecognition requirements laid down in different standards.

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Further, we do not agree with the set of tentative decisions on several issues relating to IFRS 5. In general, we do not believe that it makes sense to decide upon selected issues relating to IFRS 5 now, whereas several other issues are put on hold until a broader scope project to revise IFRS 5 is initiated. Rather, and as suggested on several occasions, we think IFRS 5 deserves a comprehensive revision.

In particular, we do not agree with the decisions on *allocation of impairment losses to non-current assets* (Issue 5) and on *how to present intragroup transactions between continuing and discontinued operations* (Issue 9), which assume that in both cases sufficient guidance exists, resulting in accounting (only) the way as is proposed in the decision's wording. At least with regard to Issue 9, current accounting practice in our jurisdiction could differ from the IFRS IC's suggestion. For this reason, we object to the finding that there is clear guidance and that no diversity in practice exists.

To provide more detail on issue 9, we concur with the IFRS IC's answer being consistent with the principles of IFRS 10. However, the Committee's answer does not seem to comply with the general idea and principle of IFRS 5, which in our view is to present the continued business as if the discontinued business has already been disposed off. In other words, consolidation principles in IFRS 10 do not fit the purpose of IFRS 5, that we consider being *lex specialis*. Therefore, IFRS 5 might bear an implicit exemption from the consolidation requirements. Under this assumption, we acknowledge at least a need to clarify the hierarchy of IFRS 10 and IFRS 5 in this respect or, otherwise, a need to comprehensively review, and potentially revise and strengthen, the principles of IFRS 5.

If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große or me.

Yours sincerely,

Andreas Barckow

President