Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

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Dear Wayne,

IFRS IC's tentative agenda decisions in its November 2015 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on several tentative agenda decisions taken by the IFRS IC, as published in the November 2015 *IFRIC Update*. Please find our detailed comments in the appendix to this letter.

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

Appendix A – Comments on tentative agenda decisions

IAS 39/IFRS 9 – Derecognition of modified financial assets

We consider the decision being inappropriate given that there is an issue in practice. While the IFRS IC take the view that it is not appropriate to progress with the issue "at this time" and that it cannot be resolved "through an interpretation", we point to the fact that there are other means to address an issue, even in case it is a broad one. We suggest the IASB take action and deliberate a clarification as to how and when to derecognise modified financial assets and potentially charge the IFRS IC in developing respective proposals. Otherwise, we clearly see the danger that other parties, esp. out of the regulatory domain, will take the lack of clarity as a reason to develop second level GAAP.

IAS 39/IFRS 9 – Determining hedge effectiveness for net investment hedges

We agree with the decision.

IAS 20 – Accounting for recoverable cash payments

Generally, we are not convinced that the rationale for clarifying whether and how IAS 20 applies, i.e. whether there is a government grant (thus P/L recognition) or a forgivable loan (thus liability recognition), is appropriate. As per the IFRIC Update, many Committee members thought that the definition of a forgivable loan might be fulfilled, while the (full) Interpretations Committee clearly observed that there is a financial liability, which is contradictory in itself. Rather, fulfilling the definition of a forgivable loan is a necessary (but not sufficient) condition for recognising a financial liability.

In particular, we object to the finding that the arrangement described is a financial liability. Taking into account the (few) details given we would have concluded that fulfilling the conditions for a repayment is at the very discretion of the entity having received the cash payment; hence, there is clearly no financial liability.

IAS 32 – Offsetting and cash pooling

We agree with the decision for not taking the issue onto the IFRS IC's agenda, given the many different facts and circumstances existing in practice.

IAS 36 – Recoverable amount and carrying amount of a CGU

We agree with the IFRS IC's view that an answer being derived from the notion of IAS 36.78 provides for sufficiently clear guidance. However, we share the implicit question of whether the requirement of IAS 36.78 is appropriate in nature and whether this leaves room for a potential amendment to IAS 36, e.g. as part of the post-implementation review of the standard already initiated.