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Dear Wayne,

IFRS IC's tentative agenda decision in its March 2016 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decision, taken by the IFRS IC and as published in the March 2016 *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 (grosse@drsc.de) or me.

Yours sincerely,

Andreas Barckow
President

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Appendix A – Comments on tentative agenda decision

IFRS 10/11 – Accounting for loss of control transactions

We do not support the IFRS IC's tentative agenda decision (TAD) for the following reasons:

We do not consider it useful if a deemed conflict between IFRS 11.B34-35 and IFRS 10.25 remains unresolved for the foreseeable future. Deferring this issue with the aim of considering other related issues concurrently would ignore the need for clarification, given that - as has been acknowledged by the IFRS IC - this deemed conflict affects transactions that are widespread and, hence, causes current diversity in practice. Acknowledging that this deemed conflict constitutes a factual accounting choice (between remeasuring and not remeasuring the retained interest), we would expect the IFRS IC to at least state whether, for the time being, either of the accounting methods is acceptable (hence, shall continue to be applied) or whether one of the methods is superior to the other.

In addition, and from a rather conceptual perspective, we are not convinced by the argument of a perceived "similarity" between (a) *loss of control transactions* considered recently and (b) *sale or contribution of assets* that is subject of the narrow-scope amendment of 2014 which had been deferred subsequently. As stated in our comment letter on ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28*, we do not agree with such deferral, although we acknowledge that this amendment, if made effective, could be impacted by the outcome of the research project on the equity method. In contrast, we think that the recent question of whether retained interest shall be remeasured is not even an issue depending on the equity method. (a) and (b) are unlike, since (b) is an intra-group downstream transaction involving crucial questions depending on the consideration received (IAS 28.31), while (a) is an external transaction for which IFRS 10 provides exhaustive guidance; hence, IAS 28 does not provide relevant guidance that would be crucial to answering the question raised.

This said, we do not agree that the issue of *loss of control transactions* is best addressed by being considered concurrently with those other issues that the IASB intends to solve under its project on the equity method, but deserves an independent and timelier answer.