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Berlin, 25 January 2017

Dear Henry,

IFRS IC's tentative agenda decisions in its November 2016 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on two of the tentative agenda decisions, taken by the IFRS Interpretations Committee (IFRS IC) and as published in the November 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 decisions

IAS 28 – Fund manager’s assessment of significant influence

We do not fully agree with the IFRS IC’s decision and some of the findings. Contrary to the IFRS IC’s findings, we consider the question of whether the fund manager acts as a principal or an agent being relevant, even if there is significant influence “only”.

If we assume that the fund manager does not control the fund, one would then need to assess whether he has significant influence. Even in this assessment, the fund manager’s participation in policy decisions must be considered *implicitly*. Further, we refer to our earlier comments made on the previous tentative agenda decision, taken by the IFRS IC in September 2014, which we have submitted in our comment letter dated 21 November 2014 as follows:

"... Whereas it is appropriate to state that this issue is not explicitly addressed by IAS 28, we think that the fund manager's participation in policy decisions, combined with its holding, should implicitly be considered when estimating whether the fund manager has significant influence. This derives from the definition of significant influence in IAS 28.3, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Since – as to the submitted issue – the fund manager is participating in the financial and operating policy decisions of the investee, as a first step, an assessment has to be made whether the fund manager has control (IFRS 10.7) or joint control (IFRS 10.9) of the investee. This assessment by the fund manager shall include all facts and circumstances (IFRS 10.8) including whether it is a principal or an agent (IFRS 10.18). An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (IFRS 10.B58). Therefore, the assessment of control, joint control or, if neither, significant influence by the fund manager shall include the participation in financial and operating policy decisions that it undertakes on behalf of, and for the benefit of, others. As to our knowledge, this understanding is common in practice, with no diversity"

Finally, we do not agree with the conclusion and do not understand the reasoning, that (and why) the IFRS IC “is unable to resolve the question efficiently...”. Assuming that the IFRS IC takes the view that IFRS 10 and IAS 28 do not provide basis for a clear answer, we believe that the IFRS IC should take up their responsibility in developing possible ways forward. As outlined in other consultations, we do not find it appropriate to state ‘consistent application’ as the overarching goal on the one hand and to acknowledge (but not react on) existing diversity on the other.

Commodity Loans

We do not fully agree with the IFRS IC's findings and its tentative decision. We agree with the finding that the particular transaction might not be clearly captured within the scope of any specific IFRS; hence, IAS 8 comes into play. We also agree with the conclusion that, given the wide range of transactions involving commodities, any narrow-scope standard setting activity (ie. an amendment or a clarification) would be of limited benefit.

However, the IFRS IC's finding that applying IAS 8.10 et seq. was a sufficient basis for developing an accounting policy to the transaction appears contradictory in itself, since the IFRS IC themselves was not able to provide an answer to the specific issue in the submission by applying IAS 8.10 et seq. Generally speaking, the IFRS IC should at least be able to give answers on basic aspects (e.g. recognition of both an asset and a liability, gross or net presentation, transfer of risks and rewards). Therefore, we strongly urge the IFRS IC to reconsider the wording of its agenda decision.