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Berlin, 17 May 2018

Dear Sue,

IFRS IC's tentative agenda decisions in its March 2018 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decisions taken by the IFRS Interpretations Committee (IFRS IC) and published in the March 2018 *IFRIC Update*.

We agree with all four final agenda decisions. In respect of the tentative agenda decisions, we do not agree with the reasons behind one of these. Also, we have some comments on one of the other matters.

Please find our specific 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 (groesse@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President

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Appendix – Detailed Comments

Tentative decision on IFRS 9 – Classification of certain types of dual currency bonds

Whilst we agree with the decision not to add the issue to the agenda, we disagree with the stated reasons for rejecting the issue.

Firstly, we concur with the view that the instruments described are not common and that the issue is not widespread. Notwithstanding the fact that dual currency bonds are of limited relevance in our jurisdiction, we believe the question raised to be fundamental and affecting a main principle for classifying and measuring financial instruments that we think deserves a deeper analysis and an explanatory answer.

Against this background, we think it would be possible and helpful, if the IFRS IC analysed the specific instruments and at least pointed to how the principles and related requirements in IFRS 9 should be applied. For example, we would deem such instruments fulfilling the SPPI criterion, if the par amount was converted at the FX rate prevailing as at the conversion date (and not be contractually fixed upfront).

Secondly and more generally, we do not believe potential disruption in application to be a sufficient argument for not dealing with an issue (as cited in the respective Agenda Paper for the issue), if a clarification would come with the benefit of significantly reducing (potentially) inconsistent application. If such argument was deemed appropriate for IFRS 9 issues, we would question why the same rationale would not similarly apply to the three IFRS 15 issues the Committee did finally opine on, as IFRS 15 equally just entered into force.

Other matter: IAS 12 – Initial recognition exemption

Although we acknowledge that the discussion remains to be continued and research to be done, we like to express early our support for working towards an interpretation (or other means) to clarify IAS 12 application in this respect.

Even at this stage of discussion it seems sufficiently clear that the issue is relevant and widespread, as there are various kinds of contracts and fact patterns affected. Moreover, the question as to whether tax deductions are attributable to a contract, a (single) asset/liability, or rather to cash flows, and as to which consequences this may have for determining temporary differences, is fundamental within IAS 12. This already warrants further research and clarification.

If the Committee was to pursue the route of developing an interpretation or a minor amendment to the standard, we suggest considering whether other issues on IAS 12 raised with the Committee and also deserving clarification could be bundled together.