

**Report by the ASCG on the
72nd meeting of its IFRS Technical Committee
7th and 8th January 2019 in Berlin**

At the beginning of its meeting, the IFRS Technical Committee started its deliberation of the IASB exposure draft **ED/2018/2 Onerous Contracts – Cost of Fulfilling a Contract (proposed amendments to IAS 37)**. The IASB proposes specifying the “cost of fulfilling a contract” to comprise costs that directly relate to the contract, rather than to comprise incremental costs only. The Committee welcomes the IASB’s efforts to clarify the requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*” and agrees in principle that the directly-related cost approach provides a more faithful representation of the cost of fulfilling a contract than the incremental cost approach.

Further, the IFRS Technical Committee received an overview about the impact if the **IBOR reform** on IFRS accounting. ASCG staff presented background information and a report about the *status quo* of IASB’s project *IBOR Reform and the Effects on Financial Reporting*. The IASB prioritises the analysis of accounting issues affecting financial reporting leading up to the IBOR reform by examining initially issues where IFRS Standards have forward-looking requirements and, subsequently, issues that will impact financial reporting once the reform is enacted.

In addition, the main points of the EFRAG Discussion Paper ***Non-exchange Transfers ('NETs'): A role for societal benefit?*** were presented to the IFRS Technical Committee with a subsequent discussion about the EFRAG proposals. The IFRS Technical Committee will finalise a comment letter regarding the EFRAG Discussion Paper in its next meeting.

The IFRS Technical Committee then deliberated the issues and decisions of the **IFRS Interpretations Committee** reached at its November 2018 meeting. The IFRS Technical Committee considered the wording of the decisions on IFRS 9 (physical settlement of forward contracts to buy/sell non-financial items) and on IFRS 16/IAS 39 (software as a service) being debatable. Therefore, it decided to hold a further conference call in order to continue its discussion before concluding on a comment letter to the IFRS IC.

The IFRS Technical Committee also discussed the EFRAG Draft Endorsement Advice regarding the IASB’s pronouncement ***Definition of Material (Amendments to IAS 1 and IAS 8)***. The IFRS Technical Committee agreed with EFRAG’s assessment to support the endorsement of the amendments.

Finally, the IFRS Technical Committee was informed about the current discussions and further steps regarding EFRAG’s research project ***Equity Instruments – Measurement Alternatives***. The IFRS Technical Committee made initial comments on technical details and intends to continue its discussion upon publication of the Discussion Paper by EFRAG. The

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ASCG's Financial Instruments Working Group will be asked to provide input to that discussion.