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Berlin, 26 August 2022

Dear Andreas,

Re: IASB Project Report and Feedback Statement concluding its Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12.

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the IASB's *Project Report and Feedback Statement* concluding its Post-implementation Review (PiR) of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, published on 20 June 2022.

We appreciate that the IASB has completed the PiR of IFRS 10, IFRS 11 and IFRS 12 in a timely manner and has published a *Project Report and Feedback Statement* summarising the IASB's conclusions and decisions. We would like to use this as an opportunity to comment on some of the IASB's decisions and conclusions as set out in the *Project Report and Feedback Statement*.

We agree with the IASB's overall conclusion that the requirements of IFRS 10, IFRS 11 and IFRS 12 are generally working as intended. In our response to the *Request for Information*, we emphasised that we also believe that IFRS 10 provides a robust set of principles and requirements that enables an investor to determine whether it controls an investee. At the same time, however, we highlighted that in practice some cross-cutting issues persist for which – although these issues have been discussed intensively by the IASB – IFRS Standards still lack guidance. We, therefore, regret that the IASB has concluded that no further action is required on any of the issues raised by stakeholders in the course of the PiR of IFRS 10, IFRS 11 and IFRS 12.

In particular, we regret that the IASB has decided not to take further action on the accounting for transactions that involve '*corporate wrappers*', as these transactions are common in some industries in our jurisdiction. We understand from the *Project Report and Feedback Statement* that '*the IASB was concerned it might not be able to successfully resolve this matter within the scope of IFRS 10, particularly as the matter extends beyond the scope of this Post-implementation Review*' (ref. *Project Report and Feedback Statement*, p. 19). However, we believe, that this application issue has its root cause in IFRS 10, as the accounting for a loss of a control requires an entity to lose control over a subsidiary; whilst, for instance, IFRS 3 requires the acquisition of a business. Therefore, we would have appreciated it if the IASB had addressed this issues through a standard-setting project.

Another matter that we would like to highlight refers to transactions that change the relationship between an investor and an investee. In our response to the *Request for Information*, we recommended the IASB develop guidance on the accounting for all transactions that alter the relationship between an investor and an investee that are not addressed in IFRS Standards, as the IASB – as the standard setter – should provide a comprehensive approach that covers the accounting for all possible transactions that involve changes in interests in other entities. Therefore, we would also have preferred the IASB to address this issue by adding a project to its work plan.

We are well aware that the IASB's resources are finite, limiting the number of projects the IASB can add to its work plan. We, therefore, welcome that the IASB has developed an approach within the PiR of IFRS 10, IFRS 11 and IFRS 12 to prioritise issues arising from a PiR. In the context of the IASB's Third Agenda Consultation, we also suggested the IASB reassess the priority and necessity of projects that are already under way and determine whether any of these projects should be discontinued to free up resources. However, the IASB has decided to continue working on all projects on its current work plan. In this context, we particularly regret that stakeholders were not given the opportunity to re-prioritise (and possibly de-prioritise) ongoing projects during the Agenda Consultation. A re-prioritisation of ongoing projects could have given the IASB the opportunity to free up resources for new projects, including issues arising from the PiR of IFRS 10, IFRS 11 and IFRS 12.

In addition, we note that the IASB has deliberately deferred its decision on how to address some of the issues raised by stakeholders in order to consider them as part of the PiR of IFRS 10, IFRS 11 and IFRS 12 based on the evidence gathered during that PiR at that time (ref. for instance, the AD published by the IFRS IC in July 2016 on the ‘Accounting for Loss of Control Transactions‘, and the IASB’s discussions in June 2020 on the ‘Sale of a Subsidiary to a Customer’). From a stakeholder perspective, we therefore cannot fully understand why the IASB now has concluded that it will not address these issues. Further, we wonder whether these issues would now have to be put back on the agenda of the IFRS IC.

Whilst we agree with the IASB that a PiR is only one of the mechanisms used to continually improve IFRS Standards, we believe that a PiR should provide stakeholders with the opportunity to raise application questions for which they believe IFRS Standards do not provide sufficient guidance. However, given that the IASB has decided not to take further action on any issues raised by stakeholders during the PiR of IFRS 10, IFRS 11 and IFRS 12, we are concerned that stakeholders may be discouraged from submitting comment letters on future PiRs.

If you would like to discuss our comments further, please do not hesitate to contact Ilka Canitz (canitz@drsc.de) or me.

Yours sincerely,

Sven Morich

Vice President