

**Report by the ASCG  
on the 11<sup>th</sup> meeting of the Financial Reporting Technical Committee  
17 and 18 November 2022**

At the beginning of the meeting, the FR Technical Committee was informed about the status of the **Primary Financial Statements** project and the key tentative decisions of the IASB. Furthermore, FR Technical Committee was informed about the results and the feedback received of an outreach event that the ASCG had held on 21 November 2022 – in close cooperation with the IASB and EFRAG. The FR Technical Committee discussed the IASB's tentative decisions and decided to prepare a comment letter to the IASB on the outreach questions. In its comment letter, the remaining critical issues should be highlighted and possible alternative way forward should be outlined. The FR Technical Committee will discuss a draft comment letter at its next meeting.

The FR Technical Committee discussed the drafts of the amendments to the **sector-specific annexes** to **GAS 20 Group Management Report** and **GAS 21 Cash Flow Statement**. The Committee agreed in principle with the proposals of the ASCG-Staff but suggested some adjustments to the proposed wording for both standards. The standards will be amended by the German Amendment Accounting Standard No. 13 (GAAS 13). E-GAAS 13 is to be finalised in the December meeting.

Further, the FR Technical Committee received an overview of the topics and documents for the upcoming **Accounting Standards Advisory Forum (ASAF) meeting**, and made the following comments:

- On the **Post-implementation Review (PiR) IFRS 15 Revenue from Contracts with Customers** (ASAF Agenda Ref. 2), the FR Technical Committee voiced an overall positive assessment of the standard from a conceptual perspective. However, from a practical perspective, the FR Technical Committee did not observe a major impact of the standard on the revenue recognition of entities and therefore questioned the cost-benefit ratio. The FR Technical Committee did not identify any specific application matters to be examined by the IASB during phase 1 of the PiR. Instead, it emphasised the importance of the stability of the existing requirements and of the convergence of IFRS 15 with the regulations of US GAAP.
- As regards the EFRAG research project **Accounting for Variable Consideration** (ASAF Agenda Ref. 3), the FR Technical Committee took note of the purpose of the project. The related discussion paper will be deliberated by the FR Technical Committee during a subsequent meeting.
- In relation to the IASB's discussion of the feedback received on DP/2020/2 **Business Combinations under Common Control** (ASAF Agenda Ref. 4), the FR Technical Committee discussed possible exceptions to the basic principle for selecting the measurement method. The exception for *government-related entities* considered by the IASB staff did not convince the FR Technical Committee due to a lack of comprehensible justification of the need and the benefit. With regard to the possible exclusion of *insignificant NCS*, it was noted that the term insignificant would require companies to apply judgement, which could lead to legal uncertainty that would not be in the interest of companies. A definite threshold to be defined by the IASB was therefore favored.

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- As regards the IASB project **Provisions – Targeted Improvements to IAS 37** (ASAF Agenda Ref. 5), the FR Technical Committee deliberated the question of whether IAS 37 shall explicitly require or prohibit to include the non-performance risk when discounting provisions. On this, the FR Technical Committee provided arguments rather against inclusion of non-performance risk. It was also noted that this question does not relate to provisions only, but also affects long-term liabilities in general, and should therefore be addressed and answered more comprehensively.
- With regard to the research project on the **Equity Method** (ASAF Agenda Ref. 6), the FR Technical Committee discussed four alternatives to the question of how an investor should recognise the gain or loss on the disposal of a subsidiary to an associate. The FR Technical Committee was generally in favor of a solution that is simple to apply and free of arbitrariness; accordingly, Alternative 1 (recognition of full gain) and Alternative 2 (partial recognition of gain) were preferred. However, which alternative was to be selected also depends on the fundamental views on the equity method, i.e. whether it is understood as a valuation method or a "one-line consolidation".

In a guest presentation, the Technical Committee was informed about the objectives and the likely design of the OECD initiative for the introduction of a global minimum taxation, so-called **BEPS Pillar 2**. Against this background, the expected narrow-scope amendment of the IASB to IAS 12 as well as possible implications for GAS 18 were discussed. It is intended to form an ASCG working group.

Finally, the FR Technical Committee continued the preparation of the upcoming **ASCG evaluation on the application of IFRS in Germany**, in particular the semi-structured stakeholder survey (so-called phase 1). The FR Technical Committee agreed to targeted outreach to stakeholders, but at the same time to provide general information to the public (e.g. via the ASCG website) on the IFRS evaluation, with the opportunity to voluntarily register for the phase 1 interviews.