

Wolf Klinz
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**Financial Reporting Technical
Committee**

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Berlin, 1 December 2023

Dear Mr Klinz,

ED/2023/4 Annual Improvements—Volume 11

on behalf of the Accounting Standards Committee of Germany, I am writing to contribute to EFRAG's Draft Comment Letter (herein referred to as 'DCL') on the IASB's *ED/2023/4 Annual Improvements—Volume 11*, issued on 12 September 2023 (herein referred to as 'ED').

We provide our general feedback to EFRAG's DCL by attaching our respective comment letter to the IASB. Therein, you will find that we fully agree with the IASB's proposals.

In addition to this, we like to touch on two comments in the EFRAG DCL which indicates no full agreement by EFRAG with the IASB's proposals:

- As regards the proposed amendment to IFRS 10 ("de facto agent"), we share EFRAG's view agreeing with the proposal itself. Further, we acknowledge the challenges of how an investor should assess "those that direct the activities of the investor" (the so-called "look-up approach"), and we acknowledge these challenges becoming more apparent by the new wording in para. B74 as proposed by the IASB. However, as those challenges would exist in practice anyway – even if para. B74 were not amended –, we do refrain from recommending further reconsideration in the context of this annual improvement.
- As regards the proposed amendment to IFRS 9 ("derecognition of lease liabilities"), we do not share EFRAG's reservation against the proposal nor do we confirm the conflict mentioned. In the *specific case* of a lease modification as per IFRS 16.46(b), a gain or loss must not occur. This given, IFRS 9.3.3.1 would apply, as the lease liability is derecognised partially, whereas IFRS 9.3.3.3 would effectively not apply. However, this is not deemed a conflict or a contradiction. In our view, the accounting outcome from para. 3.3.3 is simply redundant – under this specific circumstance. In *all other cases*, ie. any other circumstances leading to a partial or full derecognition of a lease liability, IFRS 9.3.3.1 would apply – as would IFRS 9.3.3.3 equally. Therefore, the additional reference to para. 3.3.3 is indeed

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appropriate, as para. 3.3.3 is necessarily connected to para. 3.3.1. (This said, the reference to para. 3.3.3 cannot be left out intentionally – as it is not dispensable in most other cases covered by the “universal nature” of the reference to para. 3.3.1.)

This given, we do not share these two points being raised by EFRAG in the DCL.

If you would like to discuss our view further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Sven Morich

Vice President

1 Attachment

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Berlin, 1 December 2023

Dear Andreas,

ED/2023/4 Annual Improvements—Volume 11

On behalf of the Accounting Standards Committee of Germany, I am writing to comment on the ED/2023/4 *Annual Improvements—Volume 11*, issued by the IASB on 12 September 2023 (herein referred to as 'ED'). We appreciate the opportunity to comment on the proposals.

While analysing the ED's proposals, our Financial Reporting Technical Committee has revisited the following Accounting Standards and accompanying guidance that would be affected by the proposed amendments:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*—hedge accounting by a first-time adopter;
- IFRS 7 *Financial Instruments: Disclosures*—gain or loss on derecognition;
- Guidance on implementing IFRS 7:
 - introduction;
 - disclosure of deferred difference between fair value and transaction price;
 - credit risk disclosures;
- IFRS 9 *Financial Instruments*:
 - derecognition of lease liabilities;
 - transaction price;
- IFRS 10 *Consolidated Financial Statements*—determination of a 'de facto agent'; and
- IAS 7 *Statement of Cash Flows*—cost method.

We acknowledge that annual improvements are limited to changes that either clarify the wording in an IFRS, or correct relatively minor unintended consequences, oversights or conflicts between requirements of the Accounting Standards.

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On that basis, we agree with the IASB's proposals to amend the IFRS Accounting Standards and accompanying guidance in the manner described in this ED as we consider all proposals to be mere editorial corrections.

If you would like to discuss our view further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Sven Morich

Vice President