Deutsches Rechnungslegungs Standards Committee e.V.
Accounting Standards Committee of Germany
® IFRS-Fachausschuss

DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Telefon +49 (0)30 206412-12
Telefax +49 (0)30 206412-15
E-Mail info@drsc.de

EFRAG
Roger Marshall
Chairman EFRAG Board
35 Square Meeûs
B-1000 Brussels

Berlin, XX January 2015

34. Sitzung IFRS-FA am 08.01.2014
34_04b_IFRS-FA_MQI_CL_EFRAG

Dear Roger,

IASB Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value – Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13*

1 On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on EFRAG's Draft Comment Letter on the IASB's ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)* (hereafter referred to as the 'ED'). We appreciate the opportunity to respond to EFRAG's Draft Comment Letter.

2 Please find our comment letter sent to the IASB on the proposals of the ED in appendix A to this letter. Further, please find our comments on EFRAG's Draft Comment Letter to the proposed amendments of the ED in appendix B to this letter.

3 If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Appendix A – our comment letter to the IASB

Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

United Kingdom

Dear Hans,

IASB Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value – Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13*

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the IASB Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value – Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13* (herein referred to as 'ED'). We appreciate the opportunity to comment on the ED.

[...]

Appendix B – Answers to the questions and assessments of the Draft Comment Letter

EFRAG's response to Questions 1 and 2

1 As well as EFRAG we agree with the unit of account for investments within the scope of IFRS 10, IAS 27 and IAS 28 being the investment as a whole. Regarding the proposed amendments of measuring the fair value of a quoted investment or a quoted CGU by P x Q we understand EFRAG's concerns. We concur that the proposals lack relevance given the fact that possible premiums or discounts are not taken into account. However, the measurement proposed is a practicable solution and results in reliable information. As we are – so far – not aware of any other approaches that might result in a comparable reliability and are in addition more relevant, we are nonetheless in favour of the proposed amendments.

EFRAG's Questions to constituents

14 In circumstances where you assess the fair value of an investment quoted in an active market using valuation techniques that consider more than the price and the quantity of the financial instruments making up that investment, how do you measure changes in the fair value of premiums and discounts? Please explain how this measure is reliable.

15 If the IASB were to proceed with these proposals (i.e. P x Q), would you support additional disclosures on premiums and discounts that have not been included in the fair value of an investment? Please explain.

16 Do you believe that circumstances exist where these proposals would not result in useful information for users? Please explain.

Note 14:

2 As mentioned above we are not aware of any valuation technique that firstly considers other factors such as premiums or discounts and secondly ensures reliability and relevance.

Note 15:

3 We do not believe that additional disclosure requirements on premiums and discounts that have not been included in the fair value of an investment are necessary. If the preparer of the financial statement deems this information to be important and relevant, it would be included in the notes anyway.

Note 16:

4 It is important to keep in mind that the proposals lack relevance when possible premiums or discounts are not considered when measuring the fair value of a quoted investment or a quoted CGU by P x Q. But as EFRAG already mentioned we also believe that the IASB should strike the balance between reliability and relevance. When there is no better option for measuring the fair value of a quoted investment or a quoted CGU than P x Q we are still in favour of this proposal.

Extract from EFRAG's Draft Comment Letter

17 Furthermore, we believe that the IASB should also consider consequential amendments to current Standards in the following circumstances:

(a) Investments that are in the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations;*

(b) Transactions that result in the loss of control over a subsidiary (i.e. paragraph 25(b) of IFRS 10); and

(c) Transactions that occur in acquisitions in stages of an investment that meets the definition of a business (i.e. paragraph 42 in IFRS 3 *Business Combinations*).

5 We also think that the IASB needs to consider consequential amendments in order to have the same unit of account for all quoted investments or CGUs and to measure the fair value consistently. However, we do not agree with EFRAG's proposal to amend IFRS 5 in the same way. We think that P x Q should not be applied to investments within the scope of IFRS 5. We would like to propose to change the wording in IFRS 5 because a reference to the fair value should always have the same meaning and lead to the same measurement requirements. We would like to illustrate our conclusion with a small example: When an entity is going to sell an investment/operation but there is not yet a firm commitment and therefore the information is not yet on the market, the fair value less cost to sell that needs to be determined has to be calculated by P x Q and would lead to an impairment in this period. In the next period, when market participants have been informed, there would be a gain due to the goodwill. Thus, P x Q does not seem to be an appropriate solution regarding IFRS 5 investments. To achieve a consistent and accurate application of the fair value measurement, IFRS 5 needs to be amended accordingly.

EFRAG's response to Questions 3 and 4

6 We agree with EFRAG's view that the fair value of a quoted CGU should be measured in the same way as the fair values of investments in subsidiaries, joint ventures or associates. We also support the additional example to illustrate paragraph 48 of IFRS 13.

EFRAG's response to Question 5

Question to constituents

33 Do you think that, with the exception of the proposed amendments to IAS 36, the proposals in this ED should be applied retrospectively which would have the benefit of providing comparable information over the past reporting periods, or do you think that the proposals in this ED should be applied prospectively in order to avoid the possible issues listed in paragraph BC33 of the ED? Please explain.

7 From our perspective it is possible without undue burden to apply all proposed amendments retrospectively. We do not expect any difficulties when applying the amendments retrospectively. As the measurement is based on Level 1 input parameters the measurement should be feasible and not lead to any additional costs. Therefore, both the IASB's proposal as well as EFRAG's proposal to also apply IFRS 12 retrospectively would be practicable.