EFRAG
European Financial Reporting Advisory Group

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON ANNUAL IMPROVEMENTS TO IFRSs 2012–2014 CYCLE

Comments should be sent to commentletters@efrag.org by [20 November 2014]

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Annual Improvements to IFRSs 2012-2014 Cycle* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1.

Notes to constituents

The endorsement advice on the Amendments will be finalised by the EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

(a) Your name or, if you are responding on behalf of an organisation or company, its name:

Association of Accounting Technicians (AAT)

(b) Are you a:

☐ Preparer ☐ User ☒ Other (please specify)

AAT is a professional accountancy body.

(c) Please provide a short description of your activity:

AAT is a professional accountancy body which has 49,800 full and fellow members and 80,000 students and affiliate members worldwide. Of the full and fellow members, there are 4,100 Members in Practice (MIPs) who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types (figures correct as at 30 September 2014).

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy, the prevention of crime and the promotion of the sound administration of the law.

(d) Country where you are located:

United Kingdom

(e) Contact details including e-mail address:

If you have any questions or would like to consult further on this issue then please contact

AAT at:

email: consultation@aat.org.uk and aat@palmerco.co.uk

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Association of Accounting Technicians

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London EC1A 4HY

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2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

See attached commentary

3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 3, 10, 20, and 23 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 5 and IAS 19 is that:

(a) *IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method:* Overall, EFRAG's initial assessment is that the Amendments to IFRS 5 are likely to result in both some insignificant one-off costs and ongoing costs for preparers while users are likely to incur only insignificant one-off costs; and

(b) *IAS 19 Employee Benefits: Discount rate: Regional market issue*: Overall, EFRAG's initial assessment is that the Amendments to IAS 19 are likely to result in insignificant one-off and ongoing costs both for preparers and users.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

4 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 315, 16 and 28 of Appendix 3. To summarise, EFRAG's initial assessment on the Amendments to IFRS 5 and IAS 19 is that:

(a) *IFRS 5 Non-current Assets held for Sale and Discontinued Operations*: *Change of Disposal Method:* Overall, EFRAG's initial assessment is that both preparers and users are likely to benefit from the Amendments to IFRS 5 as they are likely to reduce the ongoing cost of both preparing and interpreting financial information when this type of change in plan occurs; and

(b) *IAS 19 Employee Benefits: Discount rate: Regional market issue*: Overall, EFRAG's initial assessment is that users and preparers are likely to benefit from the Amendments to IAS 19 as the information resulting from them will reduce divergence in practice and increase comparability in applying current requirements in IAS 19.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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6 EFRAG is unaware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Are you aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments?

☐ Yes ☒ No

If yes, please provide your reasons.

7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

☐ Yes ☒ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

See attached commentary

APPENDIX 1
A SUMMARY OF THE AMENDMENTS

1 The IASB has adopted an annual process to deal with non-urgent, but necessary, Amendments to IFRSs (the annual improvements process). Issues dealt with in this process arise from matters raised by the International Financial Reporting Standards Interpretations Committee and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRSs or where clarification of wording is required.

2 This Invitation to Comment deals with the Amendments made by the International Accounting Standards Board within the annual improvements project which were included in the standard published on 25 September 2014 *Annual Improvements to IFRSs: 2012-2014 Cycle* (henceforth referred to as 'the Amendments') together with the related Basis for Conclusions. The Amendments were issued in draft form in December 2013 in the Exposure Draft ED/2013/11 *Annual Improvements to IFRSs: 2012-2014 Cycle*.

3 Set out below is a description of each of the Amendments made to current Standards.

IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method

4 The Amendments to IFRS 5 *Assets Held for Sale and Discontinued Operations* clarify that if an entity reclassifies an asset (or disposal group) directly from being 'held for sale' to being 'held for distribution to owners' (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement(s) of profit or loss or other comprehensive income due to such change.

5 Furthermore, the Amendments clarify that an entity shall not change the date of classification. This, however, does not preclude an extension of the period required to complete a sale or a distribution to owners, provided that the relevant conditions in IFRS 5 are still met.

6 Finally, the Amendments clarify that current requirements in IFRS 5 should be applied when an entity reclassifies an asset (or disposal group) from being held for distribution to owners, or vice versa. Therefore entities:

(a) Shall measure the non-current asset classified both as held for sale and for distribution following the criteria provided in IFRS 5; and

(b) recognise any reduction or increase in the fair value less costs to sell/costs to distribute of the non-current asset in accordance with the requirements in IFRS 5.

7 These Amendments apply prospectively to changes in a method of disposal that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted; however, if entities apply the Amendments early, they should disclose that fact.

IFRS 7 Financial Instruments- Disclosures: Servicing contracts

8 The Amendments to IFRS 7 *Financial Instruments-Disclosures: Servicing contracts* clarify – by adding additional application guidance – when servicing contracts

constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42C of IFRS 7.

9 The Amendments to IFRS 7 apply retrospectively for annual periods beginning on or after 1 January 2016. However, an entity need not apply these Amendments for any period presented that begins before the annual period for which the entity first applies those Amendments. Earlier application is permitted; however, if entities apply the Amendments early, they should disclose that fact.

IFRS 7 Financial Instruments-Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements

10 The Amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* are not required in interim periods after the year of their initial application unless IAS 34 *Interim Financial Reporting* requires those disclosures.

11 The Amendments to IFRS 7 apply retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted; however, if entities apply the Amendments early, they should disclose that fact.

12 Consequential Amendments are also made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

IAS 19 Employee Benefits: Discount rate: regional market issue

13 The Amendments to IAS 19 *Employee Benefits* clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

14 The Amendments should be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted; however, if entities apply the Amendments early, they should disclose that fact.

15 An entity shall apply the Amendments from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the Amendments. Any initial adjustment arising from the application of the Amendments shall be recognised in retained earnings at the beginning of that period.

IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'

16 The Amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

17 The Amendments also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

18 The Amendments to IAS 34 apply retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted; however, entities should disclose that fact.

APPENDIX 2
EFRAG'S TECHNICAL ASSESSMENT OF THE AMENDMENTS AGAINST THE ENDORSEMENT CRITERIA

This appendix sets out the basis for the conclusions reached, and for the recommendation made, by EFRAG on the Amendments.

In its comment letters to the IASB, EFRAG points out that such letters are submitted in EFRAG's capacity of contributing to the IASB's due process. They do not necessarily indicate the conclusions that would be reached by EFRAG in its capacity of advising the European Commission on endorsement of the definitive IFRS in the European Union and European Economic Area.

In the latter capacity, EFRAG's role is to make a recommendation about endorsement based on its assessment of the final IFRS or Interpretation against the technical criteria for the European endorsement, as currently defined. These are explicit criteria which have been designed specifically for application in the endorsement process, and therefore the conclusions reached on endorsement may be different from those arrived at by EFRAG in developing its comments on proposed IFRSs or Interpretations. Another reason for a difference is that EFRAG's thinking may evolve.

Does the accounting that results from the application of the Amendments meet the technical criteria for EU endorsement?

1 EFRAG has considered whether the Amendments meet the technical requirements of the European Parliament and of the Council on the application of international accounting standards, as set out in Regulation (EC) No 1606/2002, in other words that the Amendments:

(a) are not contrary to the principle of 'true and fair view' set out in Article 4(3) of Council Directive 2013/34/EU; and

(b) meet the criteria of relevance, reliability, comparability, and understandability required of the financial information needed for making economic decisions and assessing the stewardship of management.

EFRAG also considered, based only on evidence brought to its attention by constituents, whether it not would be conducive to the European public good to adopt the Amendments.

2 EFRAG notes that of the five subjects addressed by the Amendments, the three subjects listed below are clarifications or corrections of existing IFRS:

(a) IFRS 7 *Financial Instruments-Disclosures: Servicing contracts*;

(b) IFRS 7 *Financial Instruments-Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements*; and

(c) IAS 34 *Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'*.

3 In EFRAG's view, the above Amendments are straightforward and not controversial. By clarifying or correcting existing IFRS in some – albeit small– way, they make the

standards easier to implement consistently, without raising any new concerns. These Amendments are not assessed individually in this appendix.

4 In EFRAG's view, the following two Amendments, involve changes to the existing accounting requirements or additional guidance on the implementation of those requirements which could affect the relevance, the understandability, the reliability and the comparability of financial information. Furthermore, we note that these Amendments have been subject to debate (evidenced by the comments EFRAG has received in the course of its due process):

(a) IFRS 5 *Non-current Assets held for Sale and Discontinued Operations – Change of Disposal Method*; and

(b) IAS 19 *Employee Benefits* **–** *Discount rate: regional market issue*.

Accordingly, these Amendments are assessed below.

IFRS 5 Non-current Assets held for Sale and Discontinued Operations – Change of Disposal Method

Relevance

5 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations.

6 EFRAG considered whether the Amendments to IFRS 5 would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.

7 EFRAG believes that the Amendments will result in information that is relevant because they avoid the undue recognition of gains and losses on the occurrence of a change in the way an entity intends to dispose of non-current assets. In EFRAG's view, this preserves trends in reported financial performance.

8 Therefore, EFRAG's overall initial assessment is that the Amendments to IFRS 5 would result in the provision of relevant information; and therefore they satisfy the relevance criterion.

Reliability

9 EFRAG also considered the reliability of the information that will be provided by applying the Amendments to IFRS 5. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.

10 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation, and completeness

11 In EFRAG's view, the Amendments to IFRS 5 are likely to result in financial information that is reliable because entities will not modify the accounting for this type of reclassifications in plans where the economics of these transactions do not change. In our view, the Amendments results in information that portrays the substance of these transactions (i.e. the fact that the non-current asset is likely to be disposed of) rather than the form in which the disposal occurs (i.e. outright sale

or distribution to owners) and therefore they ensure that the accounting effects faithfully represent what they purport to portray.

12 Furthermore, EFRAG believes that these Amendments are likely to result in reliable information because they improve existing guidance on changes to a plan of sale by:

(a) clarifying that the entity shall not cease to classify the asset (or disposal group) as held for sale in circumstances where it reclassifies it directly from being held for sale to being held for distribution, or vice versa;

(b) addressing the lack of guidance in circumstances when an asset no longer meets the criteria for held for distribution to owners (without meeting the held-for-sale criteria); and

(c) clarifying that an entity should cease to apply held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when it no longer meets the held-for-sale criteria.

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13 Accordingly, EFRAG's overall initial assessment is that the Amendments to IFRS 5 would raise no concerns about risk of error or bias; and therefore they satisfy the reliability criterion.

Comparability

14 The notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently.

15 EFRAG has considered whether the Amendments to IFRS 5 result in transactions that are:

(a) economically similar being accounted for differently; or

(b) transactions that are economically different being accounted for as if they are similar.

16 The Amendments result in consistent accounting treatment in circumstances where an entity reclassifies an asset (or a disposal group) directly from being held for sale to being held for distribution, or vice versa. This will ensure that economically similar transactions are likely to be accounted for similarly.

17 Furthermore, EFRAG believes that the financial information that results from these Amendments are comparable because:

(a) The Amendments provide guidance in an area where current IFRSs were silent and therefore reduce diversity in practice; and

(b) They will ensure that plans for sale or distribution will be treated similarly irrespective of their form.

18 EFRAG believes that the Amendments might result in financial information that is not comparable in the rare circumstances where an entity recognises gains or losses from this type of changes in a plan that occurs before the effective date of the Amendments. However, we note that:

(a) Entities are entitled to early adopt these Amendments;

(b) Comparability is likely to be affected for a limited period of time given that IFRS 5 generally requires that disposals should occur within a twelve months period.

19 Therefore, EFRAG's overall initial assessment is that the Amendments to IFRS 5 satisfy the comparability criterion.

Understandability

20 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting and the willingness to study the information with reasonable diligence.

21 Although there are a number of aspects to the notion of 'understandability', EFRAG believes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.

22 As a result, EFRAG believes that the main additional issue it needs to consider, in assessing whether the information resulting from the application of the Amendments to IFRS 5 is understandable, is whether that information will be unduly complex.

23 In EFRAG's view, the Amendments to IFRS 5 do not introduce any new complexities that may impair understandability. Therefore, EFRAG's overall initial assessment is that the Amendments to IFRS 5 satisfy the understandability criterion in all material respects.

IAS 19 Employee Benefits – Discount rate: regional market issue

Relevance

24 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations.

25 EFRAG considered whether the Amendments to IAS 19 would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.

26 EFRAG notes that the Amendments to IAS 19 require entities to assess at currency level (a) the existence of a deep market on high quality corporate bonds; and (b) the market yield of government bonds.

27 In EFRAG's view, these Amendments to IAS 19 result in financial information that is relevant in circumstances where entities:

(a) had already determined that the discount rate assessed at currency level was appropriate because the currency and term of the corporate bonds or government bonds were consistent with the currency and estimated term of the post-employment benefit obligations; or

(b) operate in a country where a deep market for high quality corporate bonds and government bonds does not exist and existing requirements in IAS 19 permits them to determine the discount rate at a currency level (i.e. Euro area).

In our view, by improving current guidance in IAS 19, these Amendments are likely to result in financial information that has more predictive value.

28 Therefore, EFRAG's overall initial assessment is that, on balance, the Amendments to IAS 19 satisfy the relevance criterion.

Reliability

29 EFRAG also considered the reliability of the information that will be provided by applying the Amendments to IAS 19. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.

30 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation, and completeness

31 In EFRAG's view, by improving existing guidance in IAS 19 the Amendments are expected to reduce subjectivity in determining the discount rate to measure post-employment benefit obligations when an entity operates in a currency area because entities operating in countries where a deep market for both high quality corporate bonds and government bonds does not exist found it difficult to apply the current guidance in IAS 19.

32 Accordingly, EFRAG's overall initial assessment is that the Amendments to IAS 19 raise no concerns about risk of error or bias; and therefore they satisfy the reliability criterion.

Comparability

33 The notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently.

34 EFRAG has considered whether the Amendments to IAS 19 result in:

(a) transactions that are economically similar being accounted for differently; or

(b) transactions that are economically different being accounted for as if they are similar.

35 EFRAG believes that the Amendments to IAS 19 will contribute to consistent application of current guidance in IAS 19; therefore, they will result in financial information that is comparable because we believe that these Amendments will reduce uncertainties that current language in IAS 19 has caused in determining the appropriate discount rate when entities operate in a currency area.

36 Furthermore, EFRAG considers that the initial application of these Amendments also results in financial information that is comparable as entities recognise any initial adjustment arising from their application in retained earnings at the beginning of the earliest comparative period presented in the financial statements. In our view, this permits users to isolate the effects of the first application of these Amendments

and provides comparability between the periods reported in the financial statements.

37 Therefore, EFRAG overall initial assessment is that the Amendments to IAS 19 satisfy the comparability criterion.

Understandability

38 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting and the willingness to study the information with reasonable diligence.

39 Although there are a number of aspects to the notion of 'understandability', EFRAG believes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.

40 As a result, EFRAG believes that the main additional issue it needs to consider, in assessing whether the information resulting from the application of the Amendments to IAS 19 is understandable, is whether that information will be unduly complex.

41 Accordingly, in EFRAG's view, the Amendments to IAS 19 do not introduce any new complexities that may impair understandability and reduce current complexity in applying IAS 19. Therefore, EFRAG's overall assessment is that the Amendments to IAS 19 satisfy the understandability criterion in all material respects.

True and Fair

42 EFRAG's initial assessment is that the information resulting from the application of the Amendments would not be contrary to the true and fair view principle.

European public good

43 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

Conclusion

44 For the reasons set out above, EFRAG's initial assessment is that the Amendments satisfy the technical criteria for EU endorsement and EFRAG should therefore recommend their endorsement.

APENDIX 3
EFRAG'S EVALUATION OF THE COSTS AND BENEFITS OF THE AMENDMENTS

1 EFRAG has also considered whether, and if so to what extent, implementing the Amendments included in the Annual Improvements to IFRS 2012-2014 Cycle ('the Amendments') in the EU might result in incremental costs for preparers and/or users, and whether those costs are likely to be exceeded by the benefits to be derived from their adoption.

2 EFRAG started its assessment of the costs and benefits of implementing all the changes to existing standards included in the Amendments by considering whether they were likely to be any measureable costs involved for preparers – including first-time adopters – or users in applying them.

3 EFRAG's initial assessment is that:

(a) there will be one-off cost for preparers in reading and understanding the Amendments to IFRS 7 *Financial Instruments: Disclosures* and to IAS 34 *Interim Financial Reporting*, but that cost will be insignificant as the Amendments are straightforward and will involve limited changes. EFRAG's initial assessment is also that the requirements included in these Amendments will not involve any significant ongoing costs for preparers or users and that the benefits to be derived from implementing these Amendments are likely to outweigh the costs involved;

(b) the application of the Amendments to IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* and to IAS 19 *Employee Benefits* may have a cost and/or benefit impact on preparers and/or users of financial information because these Amendments may change current accounting practice for some entities.

4 EFRAG has performed a specific assessment on the implementation of the Amendments to IFRS 5 and IAS 19.

IFRS 5 *Non-current Assets held for Sale and Discontinued Operations* – Change of disposal method

Cost for preparers

5 EFRAG has carried out an initial assessment of the cost implications for preparers resulting from the Amendments to IFRS 5.

6 EFRAG expects that preparers will incur in one-off cost mainly from reading and familiarising themselves with the new requirements. EFRAG believes that the Amendments to IFRS 5 are not likely to result in any significant increase in ongoing costs because they only clarify how the current requirements in the existing Standard apply.

7 Therefore, EFRAG's initial assessment is that the implementation of the Amendments to IFRS 5 is likely to result in both some one-off costs and ongoing costs for preparers that are insignificant.

Costs for users

8 EFRAG has carried out an initial assessment of the cost implications for users resulting from the Amendments to IFRS 5.

9 EFRAG notes that users may incur some costs in circumstances where prospective application of these Amendments may lead to similar transactions that are accounted for differently in periods prior the their initial application. However, EFRAG believes that these costs are not significant because current disclosures requirements in paragraph 42 of IFRS 5 may provide them with sufficient financial information on the change in plan. Furthermore, given the basic principles in IFRS 5, EFRAG considers that this reduction in comparability is resolved within the short period (i.e. twelve months) in which the disposal is likely to occur.

10 EFRAG's initial assessment is that the implementation of the Amendments to IFRS 5 is not likely to affect ongoing costs to users and that they are likely to result in one-off costs that are not significant.

Benefits for preparers and users

11 EFRAG has carried out an initial assessment of the benefits for users and preparers resulting from the Amendments to IFRS 5.

12 The objectives of the Amendments to IFRS 5 are to clarify that an entity should not cease to classify an asset (or disposal group) as held for sale in circumstances where an entity reclassifies the asset (or disposal group) directly from being held for sale to being held for distribution (or vice versa).

13 In our view, the Amendments to IFRS 5 will reduce complexities when this type of change in plans occurs because they are likely to ease the process of selecting and applying the accounting treatment that best represents the substance and the economics of these transactions.

14 EFRAG believes that users will benefit from these Amendments as the information resulting from them will increase comparability between entities when a change in plan occurs and therefore will enhance their analysis while reducing the cost of interpreting and comparing financial data.

15 Furthermore, these Amendments result in avoiding disruption in an entity's performance trends because they avoid the undue recognition of gains and losses. In our view, this also results in benefits for users of financial statements.

16 EFRAG's initial assessment is that both preparers and users are likely to benefit from the Amendments to IFRS 5, as they are likely to reduce the ongoing cost of both preparing and interpreting financial information when this type of change in plan occurs.

IAS 19 *Employee Benefits – Discount rate: regional market issue*

Cost for preparers

17 EFRAG has carried out an initial assessment of the cost implications for preparers resulting from the Amendments to IAS 19.

18 EFRAG expects that preparers will incur insignificant one-off cost mainly from reading and familiarising themselves with these Amendments. Furthermore, preparers may incur initial costs in assessing whether these Amendments may have any effects on existing post-employment benefits obligations.

19 EFRAG believes that the implementation of these Amendments will not result in additional ongoing costs for preparers as they are not modifying the existing guidance in IAS 19 on selecting and applying discount rates to measure post-employment benefits obligations.

20 Overall, EFRAG's initial assessment is that the Amendments to IAS 19 are likely to result both in insignificant one-off and ongoing costs for preparers related to implementation of these Amendments.

Costs for users

21 EFRAG has carried out an initial assessment of the cost implications for users resulting from the Amendments to IAS 19.

22 In EFRAG's view, the Amendments to IAS 19 are likely to result in one-off costs for users to understand the impact of the change on their analyses. However, EFRAG believes that the Amendments to IAS 19 are not likely to result in increased ongoing costs for users.

23 Overall, EFRAG's initial assessment is that the Amendments to IAS 19 are likely to result in insignificant costs for users.

Benefits for preparers and users

24 EFRAG has carried out an initial assessment of the benefits for preparers and users resulting from the Amendments to IAS 19.

25 The Amendments to IAS 19 clarify the current requirements in the Standard for determining the discount rate and the implications for regional market areas sharing the same currency. Therefore, EFRAG believes that both preparers and users will benefit from the outcomes of these Amendments because they improve consistency in measuring post-employment benefits obligations and, therefore, are likely to reduce diversity in practice.

26 In addition, EFRAG believes that these Amendments will reduce the administrative burden in determining discount rates for post-employment benefit obligations when an entity operates both:

(a) in a country where a deep market for high quality corporate bonds does not exist; and

(b) in a currency area where a deep market for the instruments in (a) does exist.

27 Furthermore, EFRAG considers that the Amendments are likely to result in benefits for preparers and users:

(a) Users will benefit because the financial information that results from these Amendments are more comparable; and the transition requirements will enable them to identify any effects from the initial application of these Amendments.

(b) Preparers will benefit from the clarification that the assessment of the deepness of the market for high quality corporate bonds and government bonds should be made at currency level.

28 Overall, EFRAG's initial assessment is that users and preparers are likely to benefit from the Amendments to IAS 19, as the information resulting from them will reduce divergence in practice and increase comparability in applying current requirements in IAS 19.

Conclusion

29 EFRAG's initial assessment is that the overall benefits of the Amendments are likely to outweigh costs associated with applying them.