

## INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON Annual Improvements to IFRS Accounting Standards—Volume 11

**Once filled in, this form should be submitted by 22 November 2024 using the 'Comment publication link' available at the bottom of the respective news item. All open consultations can be found on EFRAG's web site: [Open consultations: express your views.](#)**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on Annual Improvements to IFRS Accounting Standards—Volume 11 ('the Amendments'). In order to do so, 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 their implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Before finalising its assessment, 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 interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

**EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of the Amendments.**

### Your details

1 Please provide the following details:

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

ORGANISMO ITALIANO DI CONTABILITA'

Are you a:

Preparer  User  Other (please specify)

NATIONAL STANDARD SETTER

Please provide a short description of your activity:

Country where you are located:

ITALY

Contact details, including e-mail address:

presidenza@fondazioneoic.eu

### EFRAG’s initial assessment with respect to the technical criteria for endorsement

- 2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG’s reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Do you agree with this assessment?

Yes     No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG’s endorsement advice.

Are there any issues that are not mentioned in Appendix 2 of the accompanying Draft Letter to the European Commission regarding endorsement of the Amendments 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?

### The European public good

- 3 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

#### *Improvement in financial reporting*

- 4 EFRAG has identified that in assessing whether the endorsement of the Amendments is conducive to the European public good it should consider whether the Amendments are an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 5 of Appendix 3 of the accompanying Draft Letter to the European Commission). To summarise, EFRAG’s initial assessment is that the Amendments are overall likely to improve the quality of financial reporting, although they may not

eliminate all sources of diversity in practice arising from the interaction between IFRS 9 *Financial Instruments* and IFRS 16 *Leases* and from the application of IFRS 10 *Consolidated Financial Statements* as detailed, respectively, in paragraphs 8(a) and 8(b) of Appendix 2.

Do you agree with the assessment?

Yes       No

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

- 5 However, in reaching the assessment above, a dissenting opinion was expressed by an EFRAG FR TEG member in relation to the amendment to IFRS 9. In particular, it was argued that it creates confusion and an explicit conflict between IFRS 9 and IFRS 16 because it implies that certain lease modifications could be accounted for in accordance with IFRS 9 although they meet the definition of a lease modification in Appendix A of IFRS 16 and IFRS 16 is the more specific standard for leases.

Do you agree with the above dissenting opinion and the reasoning behind it?

Yes       No

If you agree, do you consider that the amendment to IFRS 9 would not be conducive to the European public good to a degree that it should lead to a recommendation for a partial negative endorsement advice – i.e. excluding the amendment to IFRS 9?

Yes       No

Please provide your arguments

#### *Costs and benefits*

- 6 EFRAG is also assessing the costs and benefits 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 and benefits are set out in paragraphs 7 to 13 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG’s initial assessment is that the

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overall benefits of enhanced consistency of application are likely to outweigh any cost associated with implementing the Amendments.

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?

*Overall assessment with respect to the European public good*

7 EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see paragraphs 15 to 18 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

Yes       No

If you do not agree, please explain your reasons.