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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