

Wayne Upton
Chairman of the
IFRS Interpretations Committee
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20 November 2015

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Dear Mr Upton

**Re.: IFRS IC Tentative Agenda Decision: IFRS 5 – How to Present
Intragroup Transactions between Continuing and Discontinued Operation**

The IDW is pleased to respond to the IFRS Interpretations Committee's publication in the IFRIC Update September 2015 of the tentative decision not to add the request to clarify the above mentioned issue to its agenda. However, we disagree with the tentative agenda decision for the following reasons:

Paragraph 30 of IFRS 5 states that an entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups). In addition, the statement of profit or loss and other comprehensive income shall include a line item that presents a single amount for the total of discontinued operations (paragraph 82(ea) of IAS 1, paragraph 33 of IFRS 5).

In our view, the objective in paragraph 30 requires that income and expenses should only be allocated to discontinued operations if they will cease to be earned or incurred on disposal of the discontinued operations. Moreover, if transactions between continuing operations and discontinued operations (or third parties) are expected to continue after the disposal, eliminating intragroup income and expenses against continuing operations and discontinued operations, respectively, would be misleading. In this case, the objective in paragraph 30 overrides the consolidation requirements in IFRS 10.

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB;
Manfred Hamann, RA

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Avoiding such elimination and instead reflecting the continuance of the relationship provides users with comparable information across reporting periods and helps them to assess an entity's ongoing ability to generate cash flows in the future (we refer to paragraph BC62 of IFRS 5). Furthermore, it does not constitute pro-forma information, since it presents what actually happened during the reporting period. Admittedly, the assessment involves expectations about future relationships between the continuing operations and discontinued operations. Nevertheless, many accounting issues in IFRS necessitate expectation or estimation to a certain degree. Hence, to us this is not a compelling argument.

Contrary to the tentative agenda decision, we believe that additional disclosures in the notes to the financial statements do not rectify a presentation in the statement of profit or loss and other comprehensive income that is inappropriate – a principle well established in IFRS (e.g. paragraph 18 of IAS 1).

The IDW is concerned that the information presented according to the tentative agenda decision will not result in useful information for users in assessing the financial effects of discontinued operations. Thus, the tentative agenda decision should not be finalised. Rather, we recommend a clarification (based on the objective in paragraph 30 of IFRS 5) in the form of an annual improvement.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

Bernd Stibi
Technical Director
Accounting and Auditing

Uwe Fieseler
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Accounting