

FRC/EFRAG Field Test Questionnaire on IFRS Foundation/IASB: Exposure Draft: Financial Instrument: Expected Credit Losses
(Response Date: 2 June 2013)

EFRAG and the National Standard Setters ANC, ASCG, FRC and OIC invite companies to participate in a field-test on how the proposed impairment requirements will affect the assessment of the amount, timing and uncertainty of future cash flows of financial assets that are measured at amortised cost and FV-OCI, including trade receivables and lease receivables.

On 7 March 2013, the IASB issued the Exposure Draft (ED) Financial Instruments: Expected Credit Losses. Following the proposed impairment requirements, entities will be required to recognise, measure and disclose expected credit losses in their portfolios of financial assets that are measured at amortised cost and FV-OCI, certain loan commitments and financial guarantee contracts, as well as trade receivables and lease receivables. This field-test is carried out by EFRAG with the National Standard Setters ANC, ASCG, FRC and the OIC. Additionally, the following European associations have agreed to encourage their members to participate: EBF, ESG, EACB, Leaseurope and BusinessEurope.

What is the objective of the field-test?

The purpose of the exercise is to identify whether or not the proposals for the expected credit losses model address the weaknesses of the existing incurred loss impairment model in IAS 39. Additionally, the exercise addresses the operability and the impact and costs related to the expected credit losses model. In particular, the field-test asks questions on:

- a. How the expected credit losses model reflects the amount, timing and uncertainty of future cash flows;
- b. Whether the requirements are clear and operational;
- c. The impact of the proposed expected credit losses model; and
- d. The costs and benefits of the proposed expected credit losses model.

When and how will the field-test be conducted?

The field test will start on 15 April 2013 and completed questionnaires should be returned by 2 June 2013. EFRAG and National Standard Setters have developed a questionnaire which participants are asked to complete. The questionnaire seeks evidence regarding the proposal set out in the ED, particularly the potential impact of the proposals, including the costs associated with that application.

In addition European workshops will be held for participants by industry, in which IASB staff will participate. These will be held during May and June 2013. Participation to the workshops will be limited to the respondents of the questionnaire. The workshops will be based on written case studies provided by respondents.

The information provided during the field-test to EFRAG and the National Standard Setters will remain confidential. Information used in any reports will be presented in such a way that no individual company or person can be identified. However, the list of participants in the field-test will be made public, unless

participants explicitly request anonymity. The output of the field-test will be shared between EFRAG, the National Standard Setters, the European Commission and the IASB.

EFRAG and the National Standard Setters are coordinating their outreach with the IASB staff in order to avoid overlap in their respective activities.

Would you like to participate?

EFRAG and National Standard Setters encourage all entities that believe they are significantly impacted by the proposals to participate in the field-test. The proposed requirements will affect both financial and non-financial entities.

If you would like to participate in the field-test please contact Seema Jamil O'Neill on s.jamiloneill@frc.org.uk. Upon receipt of your request for participation you will receive a copy of the questionnaire.