

Welcome to the April IASB Update

This IASB *Update* highlights preliminary decisions of the International Accounting Standards Board (the Board). The Board's final decisions on Standards, Amendments and Interpretations are formally balloted as set forth in the IFRS[®] Foundation and IFRS Interpretation Committee *Due Process Handbook*.

The Board met in public on Monday 24 April 2017 and Thursday 27 April 2017 at the IFRS Foundation's offices in London, UK.

The topics for discussion were:

- **Insurance Contracts**
- **Rate-regulated Activities**
- **FASB educational session – Financial Performance Reporting**
- **IFRS Implementation Issues**
- **Definition of a Business**

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Future IASB meetings

The Board meets at least once a month for up to five days.

The next IASB meetings are:

15 to 19 May
2017
19 to 23 June
2017
17 to 21 July
2017

To see upcoming and past IASB meetings, [click here](#).

[Archive of IASB Update](#)

Newsletter

For past issues of *IASB Update* [click here](#).

Podcast summaries

To listen to a short Board meeting audio summary (Podcast) of previous Board meetings, [click here](#).

Insurance Contracts (Agenda Paper 2)

The Board received an update on the strategy for supporting implementation of IFRS 17 *Insurance Contracts*. The Board plans to issue IFRS 17 in the second half of May 2017. Further information on how it will support implementation will be provided following the issuance of the Standard.

Rate-regulated Activities (Agenda Paper 9)

The Board met on 24 April 2017 to discuss the Rate-regulated Activities project. The Board considered a revised general description of a new accounting model being developed to recognise regulatory assets and liabilities. The revised description explained the effect of regulatory agreements on customer contracts and on the entity's financial results.

The Board's discussion focused on regulatory agreements that include a rate adjustment mechanism that determines the amount of profit or profit margin that the entity is entitled to retain. The Board also discussed the nature of the adjustments, which arise due to:

- a. variances between actual and estimated amounts; or
- b. temporary differences created when the regulated rate in one period includes amounts relating to required activities carried out by the entity in a different period.

The Board was not asked to make any decisions.

Next steps

The Board plans to discuss further aspects of the model in its May meeting.

FASB educational session—Financial Performance Reporting (Agenda Paper 28)

Financial Accounting Standards Board (FASB) staff presented the Board a summary of their research as part of FASB's Financial Performance Report project. This educational session covered disaggregation of performance information and the structure of a performance statement.

Next steps

The Board will continue its discussions on its own related Primary Financial Statements project.

Implementation and maintenance of IFRS Standards (Agenda Paper 12)

The Board met on 27 April 2017 to discuss implementation and maintenance projects.

IFRIC Update (Agenda Paper 12)

The Board received an update from the March 2017 meeting of the IFRS Interpretations Committee (the Committee). Details of this meeting were published in the [IFRIC® Update](#).

Fees included in the '10 per cent' test for the purpose of derecognition (Agenda Paper 12A)

The Board considered the Committee's recommendation to propose an amendment to IFRS 9 *Financial Instruments* as part of the next Annual Improvements Cycle. The proposed amendment would clarify the requirements in the first sentence of paragraph B3.3.6 of IFRS 9. The amendment will say that when carrying out the '10 per cent' test for assessing whether to derecognise a financial liability, an entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The Board tentatively decided:

- a. to propose the amendment to IFRS 9 as part of the next Annual Improvements Cycle; and
- b. to propose that an entity apply the amendment only to modifications or exchanges of financial liabilities that occur on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Eleven of 13 Board members agreed with these decisions. One member disagreed and one member abstained from voting on these decisions.

Next steps

The Board will consider the comment period and due process steps taken on the proposed amendment to IFRS 9 at a future meeting.

Amendments to IAS 19 and IFRIC 14 (Agenda Papers 12B-12C)

The Board discussed the Committee's recommendations on the proposed amendments to IAS 19 *Employee Benefits* and IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*.

At this meeting, the Board agreed with the Committee's recommendation and tentatively decided not to exclude minor plan events from the scope of the amendments to IAS 19. Eleven of 13 Board members agreed with this decision. One member disagreed and one member abstained from voting on this decision.

The Board also agreed with the Committee's recommendations on the transition requirements for the amendments to IAS 19 and IFRIC 14. It tentatively decided that:

- a. an entity should apply the amendments to IFRIC 14 retrospectively (with an exemption for adjustments to the carrying amount of assets outside the scope of IAS 19);
- b. an entity should apply the amendments to IAS 19 prospectively to plan events occurring on or after the effective date; and
- c. the amendments should provide no transition relief for first-time adopters.

Twelve of 13 Board members agreed with these decisions and one member abstained from voting on these decisions.

The Board did not discuss the effective date (Question 4 of Agenda Paper 12B) and due process steps (Agenda Paper 12C) at this meeting.

Next steps

At a future meeting, the Board will be provided with information on the expected effect of the amendments to IFRIC 14, and will consider the effective date and due process steps.

Amendments to IFRS 3 and IFRS 11 (Agenda Papers 12D-12E)

The Board discussed the Committee's recommendations on the proposed amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* regarding previously held interests in a joint operation. The amendments to IFRS 3 would clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 would clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The Board tentatively decided to finalise the amendments to IFRS 3 and IFRS 11 with no substantive changes. The Board tentatively decided to clarify in the amendments to IFRS 3 that when an entity obtains control of a business that is a joint operation, it remeasures its overall previously held interest in that business.

Twelve of 13 Board members agreed with these decisions and one member abstained from voting on these decisions.

Next steps

The Board will consider the effective date and due process steps at a future meeting.

Definition of a Business (Agenda Paper 13)

The Board met on 27 April 2017 to discuss the comments received on the Exposure Draft *Definition of a Business and Accounting for Previously Held Interests* (the ED). In particular, the Board discussed the comments received on the proposal to consider a set of activities and assets acquired not to be a business if a concentration exists. A concentration would exist if the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. This proposal is sometimes called the 'screening test'.

The Board tentatively decided to:

- a. make the screening test optional on a transaction-by-transaction basis. Thus an entity could on a transaction-by-transaction basis elect to bypass the screening test and assess directly whether a substantive process has been acquired.
- b. confirm that the screening test is determinative. This means that if an entity has carried out the screening test and concluded that a concentration exists, the entity should treat the transaction as an asset purchase. There is no further assessment that might change that conclusion. If no concentration exists, the entity then should assess whether it has acquired a substantive process.
- c. specify that the gross assets considered in the screening test exclude:
 - i. goodwill resulting from the effects of deferred tax liabilities; and
 - ii. deferred tax assets.
- d. clarify that guidance on 'a single asset' for the screening test also applies when one of the acquired assets is a right-of-use asset, as described in IFRS 16 *Leases* (for example leasehold land and the building on it are a single asset for the screening test).
- e. clarify that when assessing whether assets are 'similar' for the screening test, an entity should consider the nature of each single asset and the risks associated with managing and creating outputs from the assets.
- f. clarify that the new guidance on what assets may be considered a single asset or a group of similar assets is not intended to modify the existing guidance on similar assets in paragraph 36 of IAS 38 *Intangible Assets* and the term 'class' in IAS 16 *Property, Plant and Equipment*, IAS 38 and IFRS 7 *Financial Instruments: Disclosures*.

Nine of 13 Board members agreed and three disagreed with this decision. One Board member abstained.

Next steps

At a future meeting, the Board will discuss the comments received on the other proposals included in the Exposure Draft.

Work plan—projected targets as at 28 April 2017

The work plan reflecting decisions made at this meeting was updated on the IASB website on 28 April 2017.

[View it here.](#)

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ISSN 1474-2675