Summary note of the Accounting Standards Advisory Forum

Held on 7 and 8 December 2015 at the IASB office, 30 Cannon Street, London

This note is prepared by staff of the International Accounting Standards Board® (the Board), and is a high-level summary of the discussion that took place with the Accounting Standards Advisory Forum (ASAF).[1] *A full recording of the meeting is available on the IASB website.*

ASAF members attending

Andreas Barckow	Accounting Standards Committee of Germany
Kim Bromfield	South African Financial Reporting Standards Council
Patrick de Cambourg	Autorité des normes comptables
Françoise Flores	European Financial Reporting Advisory Group
Alberto Giussani	Organismo Italiano di Contabilità
Jee In Jang	Asian-Oceanian Standard-Setters Group
Lu Jianqiao	China Accounting Standards Committee
James Kroeker	Financial Accounting Standards Board
Linda Mezon	Accounting Standards Board of Canada
Rodrigo Morais	Group of Latin American Standard-Setters
Yukio Ono	Accounting Standards Board of Japan
Kris Peach	Australian Accounting Standards Board and the New Zealand Accounting Standards Board

AASB-KASB Joint Research Project on IFRS implementation: Accounting Judgments on Terms of Likelihood in IFRS: Korea and Australia

1. The staff of the Australian Accounting Standards Board (AASB) (Eric Lee) and the Korea Accounting Standards Board (KASB) (Youngmi Seo) presented Agenda Paper 1—*Accounting Judgements on Terms of Likelihood in IFRS: Korea and Australia*.

2. The ASAF members and IASB staff commended the AASB and KASB for the excellent research and discussed the findings from the research. The following points were noted in the discussion:

   (a) In some countries the English versions of the IFRS Standards ('Standards') are predominantly used—the local translation is used for reference purposes.

(b) Although the research identifies differences in the interpretation of the meaning of the term 'likelihood', what is important is the outcome of applying the Standards. It is important that application of the Standards provides comparable outcomes.

(c) Although translation is itself an issue, social, economic and cultural differences also lead to different behaviours.

(d) Translation issues require careful management and the Board should not underestimate the frequency with which translation issues arise. ASAF members made a number of suggestions on how the Board might address translation issues in drafting the Standards. A Board member suggested that the Board could explore potential translation issues at the Exposure Draft stage.

(e) There are also differences related to the experience of applying Standards and how auditors make different interpretations of 'likelihood'. Given these different interpretations, the question then becomes: what the Board's role is in regard to these interpretations.

(f) One ASAF member noted that principle-based Standards require the application of judgement, and having clear terms helps management when making judgements. He asked whether it might be useful to define a range for each of the different terms of likelihood.

(g) Others considered that before setting quantitative thresholds, the number of terms used to depict likelihood should be reduced. It was noted that fewer terms would assist management when they are making judgements.

3. One Board member noted that she would be interested in hearing the ASAF members' advice on how the Board should from now on address the matters raised in the research. It was suggested that as part of ASAF members' responses to the 2015 Agenda Consultation, thought should be given to how the Board could address the matters raised.

4. The authors of the research thanked the ASAF members and Board members for their useful comments. They noted that there are two issues to be considered: (i) interpretation and (ii) translations. The project started by focussing on interpretation, but when undertaking the project the translation issues were highlighted. A future project might consider the two issues separately.

Disclosure Initiative—draft Materiality Practice Statement

5. The objective of the session was to ask for the ASAF members' views on the Exposure Draft IFRS Practice Statement: *Application of Materiality to Financial Statements (*'Materiality Practice Statement') on the application of materiality.

6. There was no clear consensus on whether the Board should issue mandatory or non-mandatory guidance on the topic of materiality.

(a) One ASAF member highlighted the fact that regardless of the status of the guidance, the requirement to apply materiality is part of IFRS Standards and is therefore mandatory anyway.

(b) Those that supported mandatory guidance considered mandatory guidance to be the best way to achieve consistent application. Other members asked what had prevented the Board from pursuing mandatory guidance.

(c) Members that supported non-mandatory guidance did so because they were concerned about possible difficulties adopting the guidance into different national legal frameworks and local endorsement procedures. Other members supported non-mandatory guidance, because the Exposure Draft is more in the nature of an educational document.

7. With regard to the content of the draft Materiality Practice Statement, the ASAF members made the following points:

(a) The content is in line with expectations as discussed at the ASAF meeting in March 2015.

(b) The usefulness of the examples contained in the draft Materiality Practice Statement was discussed; some members thought that the examples illustrated the discussion well, whereas others thought that they did not clarify the application of materiality in sufficient practical detail.

(c) There was a concern that the draft Materiality Practice Statement is only a repetition of current IFRS Standards.

(d) The main points from the draft Materiality Practice Statement could be moved into IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(e) A question was raised over whether the draft Materiality Practice Statement provided sufficiently detailed guidance.

8. Some ASAF members were not convinced that that the draft Materiality Practice Statement would be sufficient to bring about behavioural change. However others thought the draft Materiality Practice Statement would encourage behavioural change because, at the least, it would influence entities to review disclosures in their financial statements.

Conceptual Framework—Recognition Criteria

9. At this meeting ASAF members discussed a paper prepared by the Accounting Standards Board of Japan (ASBJ) and presented by Tomo Sekiguchi–*Recognition Criteria in the Conceptual Framework*.

10. ASAF members thanked ASBJ for preparing the paper.

11. In the paper the term 'transaction' is used to mean a transfer of something of value between two or more parties; the term 'other events' covers events other than transactions.

12. ASAF members expressed different views on the proposal that the probability criterion should be kept for recognition of assets and liabilities arising from 'other events'. Some ASAF members supported the proposal, but gave different reasons, including that the Exposure Draft: *Conceptual Framework for Financial Reporting* ('ED'):
   (a) does not contain sufficient guidance on how uncertainty about a flow of economic benefits should affect recognition, so future Standard-setting outcomes are uncertain;
   (b) may lead to more contingent liabilities with low probability being recognised if the probability criterion is removed; and
   (c) the proposal to move the assessment of probability from recognition to measurement would create a bigger burden for preparers.

13. In addition to keeping the probability criterion in the recognition criteria, one ASAF member suggested keeping the notion of 'expected' in the definitions of an asset and a liability.

14. Other ASAF members expressed support for the recognition criteria proposed in the ED and disagreed with the proposal to reinstate the probability criterion.

15. One ASAF member suggested that the *Conceptual Framework* should not include a probability criterion for recognition for all items. However, it should not preclude including a probability threshold in particular Standards and should give guidance on how such thresholds could be constructed.

16. Another ASAF member suggested that it might be appropriate to retain a probability criterion for situations in which the existence of an item is uncertain.

17. Some ASAF members supported the recognition criteria proposed in the ED but thought that the *Conceptual Framework* should include more definitive guidance on how a low probability of a flow of economic benefits can affect recognition. They suggested that the *Conceptual Framework* should:
   (a) note that it would be appropriate to consider both the probability of an event occurring and its potential impact; and
   (b) explain how the unit of account affects recognition—individually, items may have a low probability of occurring but their cumulative effect may be significant.

18. Several ASAF members, even those that supported reintroduction of the probability criterion, found the distinction made in the ASBJ's paper between transactions and other events to be unclear.

19. One ASAF member commented on the suggestion in the paper to acknowledge the notion of 'asymmetric prudence' within the discussion of the recognition criteria. He thought that moving the notion of 'asymmetric prudence' to the measurement chapter could help deal with measurement uncertainty. Another member expressed the view that the notion of 'asymmetric prudence' is contrary to neutrality, which is why she thought 'prudence' should not be reintroduced in the *Conceptual Framework*.

20. In response to the paper and the comments from ASAF members, the IASB staff noted that:

    (a) retaining the term ‘expected’ in the definitions of assets and liabilities could result in departures from the *Conceptual Framework*;

    (b) the paper does not solve the problem of a ‘cliff effect’ associated with the probability threshold; and

    (c) the suggestions put forward by the ASBJ were a welcome and useful contribution to the debate, and could help the Board to strengthen the guidance on recognition criteria in the *Conceptual Framework*. In particular, the discussion of low probability in the *Conceptual Framework* could be strengthened if it were to cover the implications for recognition in the presence or absence of an observable transaction price.

Research Project: Post-employment Benefits

21. The IASB staff provided a project update on the research project on post-employment benefits.

22. ASAF members’ comments were sought on this research project. In particular, the IASB staff asked if the ASAF members support any specific practical solution or support conceptually sound approaches that would cover broader plans and topics in IAS 19 *Employee Benefits*.

23. ASAF members generally supported continuation of this research project, taking account of trends in pensions. Some stated that the Board should consider broader topics, for example, the unit of account, net presentation, presentation of performance (recycling) and discount rates.

24. ASAF members explained that there are diverse views about accounting for new types of pension plans and diverse practices (for example, the approach in IFRIC Draft Interpretation D9 *Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions* is used in some jurisdictions), whereas some stakeholders may want to retain current practices.

25. Some thought that setting a narrower scope for the project might fail to address problems, because there will be various new types of pensions emerging, whereas others stated that the IASB should consider asset-liability correlations and/or setting a new classification for hybrid plans in IAS 19.

26. One ASAF member suggested that the Board should carry out a targeted review on issues that some constituents have pointed out as highly important (such as non-recycling of OCI and the accounting requirements for net interest on the net defined benefit liability (asset)).

27. The Board expects to decide its next steps, if any, after the 2015 Agenda Consultation. In the meantime, the staff will continue their internal analysis and information-gathering.

Goodwill and impairment

28. The objective of the session was to:

    (a) provide ASAF members an update on the Board's initial discussions in the project; and

    (b) ask ASAF members for feedback on the Board's initial discussions and for any advice on the way forward with the project.

29. The following is a summary of the main feedback from ASAF members:

    (a) Some support an impairment-only approach for goodwill, because feedback from users indicates that it provides better information than an amortisation with impairment approach. However other ASAF members supported amortisation of goodwill and noted that it does provide some useful information for users, for example about the payback period.

    (b) The Board should be careful about changing the requirements for accounting for goodwill, because there is no ideal approach. Stakeholders have always had opposing and strongly held views on subsequent accounting for goodwill (in particular amortisation versus non-amortisation) and the feedback during the Post-implementation Review of IFRS 3 *Business Combinations* has not provided evidence of any new arguments.

    (c) It is important to consider what information users want; it was said that we should focus on the benefits for users of the current information versus the costs to preparers of applying the requirements. For example if users are only getting confirmatory information, and this is at a significant cost to preparers, this may support a more aggressive approach to trying to reduce the costs of applying the requirements.

    (d) The Board should focus primarily on improving the impairment test, because such an improvement would be required regardless of the approach for accounting for goodwill. However some ASAF members were concerned that simplifying the impairment test, for example by removing the annual impairment test, may increase concerns expressed by investors about impairments being recognised too late.

    (e) In addition, some ASAF members thought it necessary to retain a robust impairment test if the impairment-only approach is maintained. This reflects the fact that the IASB decided that if a rigorous and operational impairment test could be devised, more useful information would be provided to users of an entity's financial statements under an approach in which goodwill is not amortised, but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired

    (f) One ASAF member stated that accounting requirements for identification and measurement of intangible assets closely relate to subsequent accounting requirements for goodwill. This member thought that if amortisation of goodwill is reintroduced, the Board should consider whether, and if so, how to maintain a classification of intangible assets that are not subject to amortisation (that is, intangible assets with indefinite useful lives under the existing Standard).

(g) Maintaining convergence with US GAAP was important and the ASAF members supported the Board and the FASB working together.

Different effective dates of IFRS 9 and the new Insurance Contracts Standard

30. In this session, the IASB staff provided an explanation of the overlay approach to be proposed in the forthcoming Exposure Draft ('the ED'), which aims to address the temporary consequences of the different effective dates of IFRS 9 *Financial Instruments* and the new insurance contracts Standard. The Board views the overlay approach as the main approach provided in the document. The views of ASAF members were sought on the overlay approach.

The overlay approach

31. Some ASAF members commented on the potential complexity and costs associated with the overlay approach. As a consequence, two ASAF members highlighted that there is no support for the overlay approach in their jurisdictions. Another ASAF member noted that the problem of different effective dates is a problem that would last for only three years, and that the cost-benefit analysis of any approach needs to reflect this short time period.

32. Another ASAF member highlighted concerns about the potential confusion regarding the dual display of profit or loss and the statement of comprehensive income between IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9. There is a preference, in their jurisdiction, for restricting the presentation approach.

33. Some ASAF members noted that there are concerns about the costs of the overlay approach, including the need to maintain two Standards within one entity (including the associated costs of internal controls) and about the costs for users in understanding this approach because of lack of comparability arising from the options allowed for the presentation of the line items.

34. One ASAF member highlighted that there needs to be education for users of financial statements on the overlay approach to prevent confusion.

35. Board members and staff noted that:

(a) The decision regarding presentation was based on previous outreach, but the Board members and IASB staff agreed that further outreach is needed following publication of the ED.

(b) Investors are very interested in the overlay approach, because it provides them with an understanding of the effects of moving from IAS 39 to IFRS 9.

(c) The costs associated with the overlay approach arise primarily on financial assets measured at cost in accordance with IAS 39 that move to fair value through profit or loss in accordance with IFRS 9. Information needed to apply the overlay approach should already be available for assets classified as available for sale under IAS 39.

(d) The overlay approach provides more comparable information across entities than the temporary exemption proposal.

The temporary exemption from applying IFRS 9

36. The temporary exemption from applying IFRS 9, the 'deferral approach', is targeted only at entities that engage 'purely' in activities that fall within the scope of IFRS 4 *Insurance Contracts.* One ASAF member noted that only specified insurers (as defined in the ED) would therefore qualify for this temporary exemption.

37. Some ASAF members commented on the predominance test:

    (a) Two ASAF members acknowledged that insurers in their jurisdiction are only interested in the temporary exemption; however they are concerned that the predominance test may restrict some types of entities from being able to use the temporary exemption.

    (b) Three ASAF members said that the population of liabilities within the predominance test could be identified differently. Two ASAF members called for pension liabilities to be excluded from the scope of the predominance test (because they are not indicative of any specific business model). Those members also called for the exclusion of liabilities for income tax and subordinated debt (which is considered as equity for regulatory purposes).

    (c) One ASAF member acknowledged that there is no perfect solution in setting the predominance test and proposed that the Board should not highlight a quantitative level of predominance.

    (d) One ASAF member called for the predominance criteria to be set below the reporting entity level and for entities that are regulated as insurers to be able to use the temporary exemption. One ASAF member highlighted that the insurers he has consulted would rather have the predominance criteria applied at the reporting entity level, because this would be a simplification for them. The remaining conglomerate in his jurisdiction wishes to use the temporary exemption, but it would only qualify for deferral below the reporting entity level. That member asked if the Board would accept that some banking activities should fall within the scope of the temporary exemption.

38. Other general points were raised:

    (a) One ASAF member noted the overall urgency needed for the proposals, but explained that this urgency should not lead to undue haste in the finalisation of the new insurance contracts Standard.

    (b) One ASAF member highlighted a concern that first-time adopters within his jurisdiction would not be able to apply the temporary exemption.

39. The Board members and IASB staff present noted that:

    (a) The scope of the temporary exemption targets entities that are most affected by the different effective dates of IFRS 9 and the new Insurance Contracts Standard. Some banking activities may fall within the scope of the temporary exemption, but only if insurance activities are judged to be predominant for that entity.

(b) The reason first-time adopters are not able to use the temporary exemption is that first-time adopters are in a different position to existing adopters (eg first-time adopters are unlikely to be moving from IAS 39 to IFRS 9).

(c) There is no perfect solution in setting the scope of the temporary exemption.

(d) The use of the temporary exemption below the reporting entity will result in non-comparability in consolidated financial statements of some groups.

Business Combinations under Common Control (BCUCC)

Hong Kong Institute of Certified Public Accountants (HKICPA) paper

40. Christina Ng from the Hong Kong Institute of Certified Public Accountants (HKICPA) introduced a paper that discussed practice for accounting for business combinations under common control (BCUCC) in Hong Kong. The paper focussed primarily on BCUCC for the purpose of an initial public offering (IPO).

41. The predecessor method is typically used to account for BCUCC before the IPO. In Hong Kong the predecessor method is applied as follows:

    (a) Comparative information is restated, as if the combining entities have been combined from the date they first came under common control.

    (b) The amounts reported are the carrying amounts from the perspective of the controlling party.

42. Most respondents surveyed by HKICPA staff favoured this method over the acquisition method, because the acquisition method would probably result in what they would consider an artificial uplift in the net value of the assets. Respondents also expressed concerns about recognising goodwill in BCUCC.

43. Some respondents, notably practitioners, generally thought that both the predecessor method and acquisition method should be permitted, as long as the method is consistently applied.

44. Some respondents called for improved disclosures and transparency around BCUCC, particularly where non-controlling interest is involved.

IASB staff paper

45. The IASB staff presented a paper that provided an update on the project, and sought input from ASAF members on how the predecessor method should be applied in order to provide useful information.

46. Some ASAF members stated that it was important for the Board to establish a conceptual basis for the application of the predecessor method.

Where in equity should the difference between consideration transferred and the acquired assets and liabilities be recognised?

47. The IASB staff noted that IFRS Standards do not require any particular form of presentation of equity items. The staff presented their preliminary view that the Board should not prescribe where in equity the difference between consideration transferred and the acquired assets and liabilities should be recognised. ASAF members agreed with that preliminary view. Some specifically noted that presentation in equity may depend on the legal requirements in a particular jurisdiction. Some ASAF members suggested that presentation in equity should be applied consistently as a matter of accounting policy choice.

How should consideration in the form of shares be measured for the purposes of applying the predecessor method?

48. The IASB staff observed that measurement of consideration in the form of shares when applying the predecessor method would only affect presentation in equity; it would not affect the recognised assets and liabilities. Consistently with the discussion in response to Question 1, the IASB staff suggested that the Board should not prescribe how such consideration should be measured.

49. Most ASAF members agreed with the IASB staff that the Board should not prescribe how consideration in the form of shares should be measured. Some ASAF members also noted that shares issued in their jurisdictions do not have nominal value and therefore nominal value would not be a feasible measurement approach. Some members expressed a preference for measurement at fair value of the shares, or at the carrying amount of acquired assets and liabilities. One member reported mixed views in his jurisdiction. One member agreed with the staff's preliminary view on this question but asked the Board to establish an overall conceptual basis for applying the predecessor method.

Which carrying amounts should be used in applying the predecessor method?

50. The IASB staff sought the views of the ASAF members on which predecessor carrying amounts should be used in applying the predecessor method:
    (a) the carrying amounts reported in the financial statements of the transferred entity; or
    (b) the carrying amounts reported in the consolidated financial statements of the transferred entity's parent prior to the transaction.

51. Most ASAF members did not express a view, but others made the following comments:
    (a) There are challenges in using either approach.
    (b) The Board should establish a conceptual basis for applying the predecessor method.
    (c) Some ASAF members expressed support for using the carrying amounts of the parent of the transferred entity. One member suggested that using the carrying amounts of the transferred entity would be appropriate if the parent does not prepare IFRS financial statements.

From which date should the entities be combined and how should comparative information be presented?

52. The IASB staff discussed the date from which entities should be combined in a BCUCC and how comparative information should be presented:

    (a) Either financial statements reflect the entities combined from the date of transaction with no restatement of comparative information; or

    (b) financial statements reflect the entities as if they have always been combined, with restatement of comparative information.

53. The IASB staff stated that their preliminary view is that entities should be combined from the date of the transaction and comparative information should not be restated. This is because restating comparative information for a group that had not in fact existed before the transaction would result in merely pro-forma information.

54. There was a mixed response from ASAF members on the IASB staff's preliminary view. One ASAF member thought that accounting treatment should depend on facts and circumstances. Another member noted that the Board should consider the implications for a wider range of transactions, eg carve-out financial statements.

Additional points raised by ASAF members:

55. Some ASAF members stated that it was important to establish which information needs the project is trying to address: information needs of shareholders of the ultimate parent, or information needs of non-controlling shareholders of the acquiring entity.

Role of Post-implementation Reviews

56. The ASAF discussed a paper describing the process used for the Board's Post-implementation Reviews (PIRs). The ASAF was asked for its views on the processes currently applied and what, if any, changes it thought should be made.

57. Many ASAF members supported the overall approach that the IASB followed in PIRs. The main points of advice that the ASAF members made were as follows:

58. Selection of Standards to be reviewed:

    (a) A number of ASAF members thought that PIRs should not be restricted to new Standards, but that older Standards should also be reviewed.

    (b) The level and nature of issues submitted to the Interpretations Committee would be a good basis for determining when an older Standard should be reviewed.

59. ASAF members provided the following advice on the objectives of a PIR:

    (a) Some ASAF members thought that the PIR should not focus on the issues that were contentious when the Standard was developed (as required by the *Due Process Handbook*), but should instead focus on how the Standard is working in practice, including consideration of consistency of application.

(b) One ASAF member also suggested that the PIR should include an assessment of whether the IASB had achieved its intended objective with the Standard.

(c) Another ASAF member suggested that one of the objectives of a PIR should also be to identify what lessons can be learned for other projects, for example by understanding the source of the implementation issues arising from a Standard.

60. ASAF members discussed the timing of the reviews following implementation of a Standard; currently the *Due Process Handbook* requires a PIR after two years of global implementation, which is typically about three years after the effective date.

(a) Many ASAF members thought that a longer period of time was needed after the effective date before a PIR was conducted, with some noting that this will depend on the Standard. The time periods suggested by ASAF members ranged from 3 years to 10 years, but with 5 years appearing to fall within most ASAF members' preferred range.

(b) One ASAF member suggested that a second PIR could be conducted at a later date, if it was too soon to look at some issues when the PIR is initially conducted.

(c) Another ASAF member suggested that if there are no indications of issues with a Standard, then consider asking in an Agenda Consultation whether a review is needed at all.

61. The ASAF members considered the role of academic studies in PIRs. Many ASAF members supported the inclusion in the PIR of a review of relevant academic literature.

(a) Several noted that two years after implementation of a Standard is too short for academic studies to be available.

(b) One ASAF member suggested building in the academic element from the start, ie from when the Standard is first issued.

(c) Another member agreed that the Board should not commission research, but suggested formulating research questions instead, and suggested that this could be done early on.

(d) Another ASAF member suggested using the IFRS Research Forum to invite academics to respond to our PIR research needs.

62. Other matters:

(a) One ASAF member commented on the role of the IFRS Foundation Trustees in PIRs, noting that they thought that responsibility for the PIR should remain with the Board, but that the Trustees' oversight role was important, and should be evident.

(b) Another ASAF member commented that it is important that the Board is clear about its intended follow-up actions in its Feedback Statement.

(c) Another ASAF member noted that notwithstanding the need to be clear about follow-up actions, the Board also needs to balance this with the need for stability in the Standards.

Disclosure Initiative—next steps

63. The IASB staff provided an update on the progress of the Disclosure Initiative and highlighted the next steps. The staff also discussed the Principles of Disclosure and the Standards-level Review of Disclosures projects, which are part of the Disclosure Initiative, and asked for ASAF members' views.

    (a) One ASAF member requested clarification about the Drafting Guide mentioned in the project overview and how it related to the drafting guide discussion that was going to be included in the Principles of Disclosure Discussion Paper ('DP'). The staff explained that the section in the DP was a subset of what was expected to be in the Drafting Guide, and that it would be included in the DP as an opportunity for the Board to gather comments on some of the proposals related to the IASB's drafting.

    (b) One ASAF member noted that there was no clear link between the IASB *Conceptual Framework* and the Principles of Disclosure projects. Another ASAF member (from the FASB) suggested that the Board should look at the FASB's proposed disclosure framework, which will form part of the FASB's own Conceptual Framework. The FASB's representative noted that they had found the proposals in their Conceptual Framework helpful in their review of disclosure requirements in existing Standards.

    (c) Several ASAF members thought the IASB Drafting Guide should be exposed for public comment.

    (d) One ASAF member considered that existing Standards should be reviewed in the light of the Drafting Guide.

The Equity Method

64. Françoise Flores, Chair of the EFRAG TEG, presented Agenda Paper 9 and sought the views of the ASAF members on its proposal for the scope of the Board's project on the equity method of accounting.

65. ASAF members had varied views on the proposal. The ASAF members who were in favour of the proposal supported:

    (a) the idea of maintaining the current requirements in IAS 28, while the correct focus for the project is on identifying what the backbone of the equity method of accounting is;

    (b) considering when to apply the equity method of accounting by developing a notion that the boundaries of economic activity are characterised by strong interrelationships; and

    (c) the notion that strong interrelationships and significant influence could be combined to helpfully apply the definition of significant influence in terms of the extension of an investor's operation.

66. However, a number of ASAF members were concerned about the following aspects of the proposal:

(a) the notion of strong interrelationship might be confused with the definition of significant influence and it was not clear whether strong interrelationship would capture more or less than significant influence; and

(b) it needs to be evaluated whether a notion of strong interrelationships can be applied to both joint ventures and associate entities.

67. As regards the project itself, several ASAF members considered that the Board needs to identify what information value is provided by the equity method of accounting before assuming that the equity method will continue to be used and before proceeding with improvements to it. One member suggested that the Board should conduct a survey in each jurisdiction to ascertain how investors use the information provided by the equity method of accounting.

68. The FASB updated the ASAF on its project of simplification of equity method accounting, which proposed to delete the requirement relating to basis difference. The FASB representative noted that although the majority of US stakeholders agreed that one-line consolidation is not a suitable basis for the equity method, they nevertheless do not want to remove the accounting for the basis difference. After discussion, the FASB had decided to consider potential alternatives for accounting for associates and joint ventures.

69. The IASB staff provided an update on the Equity Method project, noting the next steps would be to reconsider the project plan following feedback to the 2015 Agenda Consultation and taking into consideration EFRAG's proposals on the project scope and earlier comments by ASAF members.

Project updates and agenda planning

70. The IASB staff updated the ASAF members on the research project on Primary Financial Statements. The IASB staff explained that the project was still in the planning phase and it would be several months before staff would be seeking input from the ASAF.

71. The ASAF were also updated on the Changes in Accounting Policies project. At present IASB staff are performing external outreach about the usefulness of the proposals in practice. The next step will be to present the proposals to the Board in early 2016.

72. The IASB staff presented an overview of current IASB projects and sought input on the proposed agenda for the next ASAF meeting, which is due to be held on 7 and 8 April 2016.