

## STAFF PAPER

September 2017

## Board Meeting

Project	Research Programme		
Paper topic	Research Update		
CONTACT(S)	Peter Clark	<a href="mailto:pclark@ifrs.org">pclark@ifrs.org</a>	+44 (0)20 7246 6451
	Jane Pike	<a href="mailto:jpike@ifrs.org">jpike@ifrs.org</a>	+44 (0)20 7246 6925

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**Purpose of the paper**

1. This paper gives a brief update on the research programme since the last update, provided in the Board's May 2017 meeting.
2. Appendix A lists the Board's active research projects and the projects in its research pipeline. More information can be downloaded from the individual project pages, which can be accessed through <http://www.ifrs.org/projects/work-plan/>.
3. The staff expect to provide the next Research Update in around three or four months.

**Question for the Board****Question for the Board**

Do Board members have any questions or comments on the projects or about the research programme generally?

## Appendix A: Summary of the Research programme at September 2017

### Active research projects

A1. Eight research projects are on the Board's active work plan.

<b>Active projects</b>	
<i>Project</i>	<i>Status</i>
Disclosure Initiative—Principles of Disclosure	Discussion Paper issued
Financial Instruments with Characteristics of Equity	Drafting Discussion Paper
Dynamic Risk Management	Board discussions continue
Goodwill and Impairment	Board discussions continue
Primary Financial Statements	Board discussions continue
Business Combinations Under Common Control	Reactivated September 2017
Discount Rates	Complete, producing research summary
Share-based Payment	Complete, producing research summary

A2. The Board has completed its discussion of its research projects on Discount Rates and on Share-Based Payment. The staff will develop a brief Research Summary document to help make the work performed on those two projects visible and more readily retrievable. The staff intend to develop similar documents for previous research projects on Foreign Currency Translation, High Inflation, Income Taxes and Post-employment Benefits.

A3. We highlight two points about the research project on Discount Rates:

- (a) One output of the project was a list of matters for the staff to consider in future standard-setting work relating to discount rates and other aspects of present value measurements.
- (b) An education session at a future Board meeting will provide information on low and negative discount rates. The implications of these rates were beyond the scope of the research project.

### **Research pipeline**

A4. In completing the recent Agenda Consultation, the Board set up a pipeline of research projects. These are not on the active work plan now, but we expect the Board to do a significant amount of the research in each of them before the next agenda consultation.

A5. There are eight projects in the research pipeline.

<b>Pipeline projects—now inactive, but likely to start or restart during the period 2017-2021</b>	
<i>Project</i>	<i>Comment</i>
Equity Method	The Board last discussed previous work on this topic in July 2015 (with a limited update in the Agenda Consultation in May 2016). Do not start until we have some input from PIR of IFRS 11. May not need to wait for end of that PIR.
Extractive Activities	The Board published a Discussion paper <i>Extractive Activities</i> in 2010. Neither the Board nor the staff have worked on this topic since reviewing the responses.
Pollutant Pricing Mechanisms	The Board last discussed previous work on this topic in October 2015 (with a limited update in the Agenda Consultation in April 2016).
Provisions	Most of the research was already been done in previous work. The Board discussed this in July 2015 (with a limited update in the Agenda Consultation in April 2016). The remaining step is to update and finalise the assessment of implications of the <i>Conceptual Framework</i> . A natural time to start is after finishing the <i>Conceptual Framework</i> , or shortly before.
Variable and Contingent Consideration	This project came out of referrals from the IFRS Interpretations Committee. The first step would be some initial scoping work to assess how broad this project is.

<i>Narrow-scope studies to assess whether targeted amendments are feasible</i>	
High Inflation—the scope of IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	<ul style="list-style-type: none"> <li>• Aim: consider extending scope to cover high inflation. Do not look at rest of IAS 29.</li> <li>• The Group of Latin American Standard Setters (GLASS) is doing some fact-finding.</li> </ul>
Pensions—benefits that depend on asset returns	<ul style="list-style-type: none"> <li>• Aim: consider capping asset returns used in estimates of asset-dependent benefits. Cap at discount rate, to avoid existing anomaly. Do not look at rest of IAS 19.</li> <li>• We are monitoring an EFRAG project on hybrid pensions.</li> </ul>
SMEs that are subsidiaries—disclosures	<ul style="list-style-type: none"> <li>• Aim: consider combining SME disclosures with full recognition and measurement.</li> <li>• Some tailoring of disclosures needed to dovetail them with the recognition and measurement, but do not tinker.</li> <li>• Feasibility study: do preparers have appetite for this approach? How much tailoring needed? What would Standard look like (not 3<sup>rd</sup> regime)?</li> <li>• Some national standard setters have done projects (or are doing) projects on SME disclosures. They rethought the disclosures from scratch, which we do not intend to do.</li> </ul>

A6. We initially used the informal label ‘feasibility study’ for the last three projects in the pipeline listed above. We did this because there are similarities in the scope of the research, and in the intended scope of any follow up standard setting. However, we have stopped using that label because it caused confusion. They are not a different species of project. They are in the pipeline. When active, they will become active research projects like any other.

A7. We highlight the following points about those three projects:

- (a) In each case, we aim to assess whether very targeted standard setting is feasible. If decide it is not feasible, we do not expect to do further work on that topic.
- (b) Each of these projects will involve mainly outreach and desk research. It might take a few months, up to perhaps a year.
- (c) We could start these projects at short notice if resources are available, but must keep discipline over the breadth of the work plan.
- (d) The targeted standard setting would involve limited drafting (except SMEs that are subsidiaries), but could affect some entities significantly, so the standard setting would still need outreach and testing.

*Starting pipeline projects*

A8. The staff believe that it may become appropriate to consider starting one or more of the pipeline projects in the next few months.

A9. We have 8 projects in the research pipeline at present. We expect the research pipeline to cover the period to 2021. That implies that we will not start active work on more than about 2 or 3 of the projects each year.

A10. We said in the Feedback statement *IASB Work Plan 2017-2021* that when the Board considers whether and when to add a research project from the pipeline to its research programme of active research projects, it will need to consider various factors, including:

- (a) the urgency of the problem;
- (b) the extent and complexity of the research needed;
- (c) the likely time commitment for stakeholders;
- (d) the overall balance of the active work plan;
- (e) interactions with other current or future projects;
- (f) the availability of appropriate staff and sufficient Board time to carry out the research project over an appropriate timescale, without diverting resources from other projects; and

- (g) the most efficient time to carry out the work.
- A11. Because it is not feasible to forecast those factors in detail, the Board has not set an order of priority for individual projects within its research pipeline.
- A12. Having considered these factors, the staff comment as follows:
- (a) None of the pipeline projects seems to be so urgent that it should be the first one to be started.
  - (b) It might be useful to start some initial scoping work on Variable and Contingent Consideration to assess how broad the research project should be.
  - (c) It might be appropriate to complete the remaining research on Provisions reasonably soon after the Board issues the *Conceptual Framework*.
  - (d) As staff become available, it may be appropriate to start the research on Pensions-Benefits that Depend on Asset Returns.

### ***Post-implementation reviews***

- A13. We are carrying out a Post-implementation Review (PIR) of IFRS 13 *Fair Value Measurement*. We issued a Request for Information in May 2017.
- A14. We plan to carry out a PIR of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. We plan to start that PIR later this year or in the first part of next year.
- A15. The Board decided after the most recent Agenda Consultation to carry out a PIR of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. We plan to start that PIR at some point after starting the PIR of IFRS 10-12.

### ***Wider corporate reporting***

- A16. In March 2017, the Board discussed the results to date of the research into the area of wider corporate reporting. (This research is not listed as active research project and is not listed in the research pipeline):

- (a) The Board tentatively decided to consider playing a more active role and suggested doing further research, given the growth in prominence of wider corporate reporting.
- (b) The Board discussed options for a more active role in wider corporate reporting and tentatively decided to consider a project to revise and update its Practice Statement *Management Commentary*. The Board commissioned the staff to do further analysis, including consulting with the IFRS Advisory Council, before preparing a formal proposal to add a project to the active research agenda.

A17. Presentations on wider corporate reporting were made to both the IFRS Advisory Council (in April 2017) and the Accountancy Standards Advisory Forum (ASAF) (in July 2017). Both groups acknowledged the growth in prominence and importance of wider corporate reporting and agreed that the Board should play some role in this area. In relation to any proposal to revise and update the Practice Statement, some caution was expressed and agreement that further research was needed before considering any such proposal. That work is underway.

### **Other activities**

- A18. The staff have been considering whether to recommend that the Board should propose withdrawing IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. The staff plan to do limited further investigation before deciding whether to make such a recommendation.
- A19. The staff have been considering implications of an analysis carried out for the Korea Accounting Standards Board and Australian Accounting Standards Board (KASB Research Report No.39 / AASB Research Report No.2 *Accounting Judgments on Terms of Likelihood in IFRS: Korea and Australia*).