

Welcome to the *IASB Update*

The IASB met in public on 16 December 2014 at the IASB offices in London, UK.

The topics for discussion were:

- ***IFRS for SMEs: Comprehensive Review 2012–2014 (Agenda Paper 5)***
- ***Post-implementation Review: IFRS 3 Business Combinations (Agenda Papers 12A-12B)***
- ***IAS 40 Investment Property: Accounting for a structure that lacks the physical characteristics of a building (Agenda Paper 12C)***
- ***IFRIC Update (Agenda Paper 12D)***
- ***Leases (Agenda Paper 3)***
- ***Disclosure Initiative (Agenda Paper 11)***

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Future IASB meetings

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

The next IASB meetings are:

19-23 January
16-20 February
16-20 March 2015

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

Archive of *IASB Update* Newsletter

For archived copies of past issues of *IASB Update* on the IFRS website, [click here](#).

Podcast summaries

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

IFRS for SMEs: Comprehensive Review 2012–2014 (Agenda Paper 5)

At its November 2014 meeting, the IASB finalised its technical discussions on the amendments to the *IFRS for SMEs* resulting from

the initial comprehensive review of the *IFRS for SMEs*. Consequently, the IASB met on 16 December to review the due process steps taken so far and decide whether the staff should begin the balloting process for those amendments. *Agenda Paper 5: Due process steps and permission for balloting*

The IASB considered the due process steps undertaken in developing the proposals. All IASB members agreed that the proposed amendments should be finalised without re-exposure. All IASB members confirmed that they are satisfied that the IASB has completed all of the necessary due process steps on the project to date and therefore instructed the staff to commence the balloting process for the amendments to the *IFRS for SMEs*. One IASB member declared her intention to dissent from the publication of the final amendments.

Next steps

The staff will commence the balloting process of the amendments to the *IFRS for SMEs*. The amendments are expected to be issued in the first half of 2015.

Some respondents to the Exposure Draft of the proposed amendments to the *IFRS for SMEs* and some members of the SME Implementation Group raised general issues about the *IFRS for SMEs* that go beyond the scope of the comprehensive review. Those issues included, for example, support for the implementation of the *IFRS for SMEs* and improving engagement with stakeholders. The IASB will discuss these issues in early 2015 together with comments raised in response to Question 7 in the Exposure Draft about the procedures surrounding future reviews of the *IFRS for SMEs*.

Post-implementation Review: IFRS 3 *Business Combinations* (Agenda Papers 12A-12B)

On 16 December the IASB discussed the feedback received in the post-implementation review (PIR) on the most significant areas of IFRS 3 *Business Combinations*. The IASB also discussed a comparison of the feedback received on the Request for Information with a review of relevant academic literature.

In the light of these discussions, the IASB broadly agreed with the classification of the significance of the identified areas of IFRS 3 recommended by the staff in Agenda Paper 12B. All fourteen IASB members agreed with this decision.

Next steps

The staff will commence drafting the Feedback Statement. The IASB expects to publish the Feedback Statement in Q1 of 2015.

IAS 40 *Investment Property*: Accounting for a structure that lacks the physical characteristics of a building (Agenda Paper 12C)

On 16 December, the IASB considered an issue that had previously been discussed by the Interpretations Committee. The issue was whether an entity should apply IAS 40 *Investment Property* to account for a structure, such as a telecommunication tower, that lacks the physical characteristics of a building, if the entity lets spaces in the structure to tenants to earn rentals.

The Interpretations Committee had questioned whether such a structure qualifies as a 'building' because it lacks the features usually associated with a building, such as walls, floors and a roof, but had expressed support for considering whether the scope of IAS 40 should be broadened to include such structures. However, the Interpretations Committee was concerned that the question could also be raised in respect of other structures, such as gas storage tanks and advertising billboards and referred the issue to the IASB.

In July 2014 the IASB directed the staff to undertake preliminary research to help the IASB to decide how to proceed. At this meeting, the IASB considered a summary of the outreach and analysis performed by the staff, and to decide what future action should be taken. The IASB decided not to pursue this issue further at the current time because there appeared to be limited demand for fair value accounting for these types of structures, and limited diversity in practice.

Eight of the fourteen IASB members agreed with this decision.

Next steps

No further work is planned on this issue.

IFRIC Update (Agenda Paper 12D)

The IASB received an update from the November 2014 meeting of the IFRS Interpretations Committee (the 'Interpretations Committee'). Details of this meeting were published in the IFRIC *Update*, which is available by clicking [here](#).

Leases (Agenda Paper 3)

The FASB and the IASB (the boards) met on 16 December 2014 to continue redeliberating the proposals in the May 2013 Exposure Draft Leases, specifically continuing the discussion from the October 2014 joint Board meeting about the definition of a lease.

Agenda Paper 3A: Definition of a lease—Ability to derive the benefits from directing the use of an identified asset

The boards tentatively decided not to include in the definition of a lease a requirement that the customer must have the ability to derive the benefits from directing the use of an identified asset on its own or together with other resources that are sold separately or that can otherwise be sourced in a reasonable period of time. Accordingly, a lease is defined as tentatively decided by the boards at the October 2014 joint board meeting.

Eleven IASB members agreed with this decision and three disagreed. Six FASB members agreed with this decision and one disagreed.

Next steps

The boards will continue their redeliberations at a future board meeting.

Disclosure Initiative (Agenda Paper 11)

The IASB met on 16 December to continue its discussion on topics to be included in the *Principles of Disclosure* Discussion Paper as part of its Disclosure Initiative. The topics discussed were:

- a. cohesiveness in financial statements; and

- b. 'cash and cash equivalents' and the management of liquid resources.

Agenda Paper 11A: Cohesiveness in financial statements

The IASB tentatively decided that:

- a. the concepts underlying cohesiveness should be included in the communication principle on linking information in IFRS financial statements; and
- b. any changes to IFRS arising from the Disclosure Initiative should not include a separate principle requiring cohesiveness across a complete set of financial statements.

Ten IASB members agreed with this decision and three IASB members disagreed. One IASB member was absent.

Agenda Paper 11B: cash flow statements—'cash and cash equivalents' and the management of liquid resources

The IASB discussed a paper prepared by the UK Financial Reporting Council that set out tentative views of its own staff as follows:

- a. the statement of cash flows should focus on flows of cash, rather than 'cash and cash equivalents'.
- b. the cash flow statement should highlight separately an entity's cash flows relating to liquid resources and the entity's policy for managing such resources; and
- c. net presentation of cash flows, other than those relating to operating activities, should be permitted only for cash flows relating to financial instruments of the same class.

No decisions were made.

Next steps

At its January meeting the IASB expects to receive an update on the ongoing work in its Disclosure Initiative.

Work plan—projected targets as at 18 December 2014

Major Projects				
Next major project milestone				
	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Upcoming Standards				
Insurance Contracts	Redeliberations			
Leases			Target IFRS	
Comprehensive review of the IFRS for SMEs	Target amended IFRS for SMEs			
Upcoming Exposure Drafts				
Conceptual Framework	Target ED			

Published Discussion Papers

Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging [Comment period ended 17 October 2014]	Comment letter analysis			
Rate-regulated Activities [Comment period ends 15 January 2015]	Public consultation			

Upcoming Discussion Papers

Disclosure Initiative				
Principles of disclosure		Target DP		
The Disclosure Initiative is a portfolio of Implementation and Research projects.				

Implementation Projects

Next major project milestone

Narrow-scope amendments	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Annual Improvements 2014–2016		Target ED		
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendment to IFRS 2)		Redeliberations		
Classification of liabilities (Proposed amendment to IAS 1)	Target ED			

Disclosure Initiative				
Amendments to IAS 7 [Comment period ends 17 Apr 2015]	Public consultation			
Elimination of gains or losses arising from transactions between an entity and its associate or joint venture (Proposed amendments to IAS 28)	Target ED			
Fair Value Measurement: Unit of Account [Comment period ends 16 January 2015]	Comment letter analysis			
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12) [Comment period ended 18 December 2014]	Redeliberations			

Next major project milestone

Post-implementation Reviews	2015 Q1	2015 Q2	2015 Q3	2015 Q4
IFRS 3 Business Combinations	Target Feedback Statement			

Conceptual Framework

Next major project milestone

	2015	2015	2015	2015
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	Q1	Q2	Q3	Q4
<i>Conceptual Framework</i>	Target ED			
Research Projects				
Next major project milestone				
	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Short- and medium-term projects				
Business combinations under common control	Board discussion			
Disclosure Initiative				
General disclosure review	Board discussion			
Materiality	Board discussion	Target Draft Practice Statement		
Principles of disclosure		Target DP		
Discount rates	Board discussion			
Emissions trading scheme	Board discussion			
Equity method of accounting	Board discussion			
Financial instruments with characteristics of equity	Board discussion			
Inflation	Board discussion			
Liabilities—amendments to IAS 37	Pending developments in the <i>Conceptual Framework</i> project			
Performance Reporting	Board discussion			
Longer-term projects				
Extractive activities/Intangible assets/R&D activities				
Foreign currency translation				
Income taxes		Board discussion		
Post-employment benefits (including pensions)	Board discussion			
Share-based payments		Board discussion		
The IASB is developing its research capabilities. For further information visit the IFRS Research Centre				
Completed IFRS				

Major projects	Issued date	Effective date	Year that PIR is expected to start*
IFRS 9 <i>Financial Instruments</i>	July 2014	1 January 2018	TBC
IFRS 14 <i>Regulatory Deferral Accounts</i>	January 2014	1 January 2016	TBC
IFRS 15 <i>Revenue from Contracts with Customers</i>	May 2014	1 January 2017	TBC
*A Post-implementation Review normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date.			
Narrow-scope amendments	Issued date	Effective date	
IAS 32 <i>Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities</i> (Amendments to IAS 32)	December 2011	1 January 2014	
<i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12 and IAS 27)	October 2012	1 January 2014	
<i>Recoverable Amount Disclosures for Non-Financial Assets</i> (Amendments to IAS 36)	May 2013	1 January 2014	
<i>Novation of Derivatives and Continuation of Hedge Accounting</i> (Amendments to IAS 39)	June 2013	1 January 2014	
<i>Defined Benefit Plans: Employee Contributions</i> (Amendments to IAS 19)	November 2013	1 July 2014	
<i>Annual Improvements 2010–2012</i> <ul style="list-style-type: none"> • IFRS 2 <i>Share-based Payment</i> <ul style="list-style-type: none"> ○ Definition of vesting condition • IFRS 3 <i>Business Combination</i> <ul style="list-style-type: none"> ○ Accounting for contingent consideration in a business combination • IFRS 8 <i>Operating Segments</i> <ul style="list-style-type: none"> ○ Aggregation of operating segments ○ Reconciliation of the total of the reportable segments' assets to the entity's assets • IFRS 13 <i>Fair Value Measurement</i> <ul style="list-style-type: none"> ○ Short-term receivables and payables • IAS 16 <i>Property, Plant and Equipment</i> <ul style="list-style-type: none"> ○ Revaluation method—proportionate restatement of accumulated depreciation • IAS 24 <i>Related Party Disclosures</i> <ul style="list-style-type: none"> ○ Key management personnel services • IAS 38 <i>Intangible Assets</i> <ul style="list-style-type: none"> ○ Revaluation method—proportionate restatement of accumulated amortisation 	December 2013	1 July 2014	
<i>Annual Improvements 2011–2013</i> <ul style="list-style-type: none"> • IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> <ul style="list-style-type: none"> ○ Meaning of "effective IFRSs" • IFRS 3 <i>Business Combinations</i> <ul style="list-style-type: none"> ○ Scope exceptions for joint ventures • IFRS 13 <i>Fair Value Measurement</i> 	December 2013	1 July 2014	

<ul style="list-style-type: none"> ○ Scope of paragraph 52 (portfolio exception) ● IAS 40 <i>Investment Property</i> <ul style="list-style-type: none"> ○ Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property 			
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	May 2014	1 January 2016	
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	May 2014	1 January 2016	
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	June 2014	1 January 2016	
Equity Method in Separate Financial Statements (Amendments to IAS 27)	August 2014	1 January 2016	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	1 January 2016	
Annual Improvements 2012–2014 <ul style="list-style-type: none"> ● IFRS 4 <i>Non-current Assets Held for Sale and Discontinued Operations</i> <ul style="list-style-type: none"> ○ Changes in methods of disposal ● IFRS 7 <i>Financial Instruments: Disclosures</i> <ul style="list-style-type: none"> ○ Servicing contracts ○ Applicability of the amendments to IFRS 7 to condensed interim financial statements ● IAS 19 <i>Employee Benefits</i> <ul style="list-style-type: none"> ○ Discount rate: regional market issue ● IAS 34 <i>Interim Financial Reporting</i> <ul style="list-style-type: none"> ○ Disclosure of information 'elsewhere in the interim financial report' 	September 2014	1 January 2016	
Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	December 2014	1 January 2016	
Disclosure Initiative (Amendments to IAS 1)	December 2014	1 January 2016	
Interpretations			
	Issued date	Effective date	
IFRIC 21 Levies	May 2013	1 January 2014	
Agenda consultation			
The IASB is committed to carrying out regular public agenda consultations to seek formal input on the strategic direction and overall balance of our work programme. The feedback from our first formal consultation was published in December 2012.			
Next major project milestone			
		2015	2016
Three-yearly public consultation	Initiate second three-yearly public consultation		



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ISSN 1474-2675