

## Welcome to the March 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<sup>®</sup> Foundation and IFRS Interpretation Committee *Due Process Handbook*.

The Board met in public on 21 and 22 March 2017 at the IFRS Foundation's offices in London, UK.

The topics for discussion were:

- **Wider Corporate Reporting**
- **Goodwill and Impairment**
- **Discount rates—present value measurements**
- **Insurance Contracts [oral update]**
- **Primary Financial Statements**
- **The *Conceptual Framework for Financial Reporting***
- **Dynamic Risk Management [Education Session]**
- **Financial Instruments with Characteristics of Equity**

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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:

24 to 28 April 2017

15 to 19 May 2017

19 to 23 June 2017

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

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#### Newsletter

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#### Podcast summaries

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

## Wider Corporate Reporting (Agenda Paper 28)

The Board met on 21 March 2017 to discuss two topics in the research work on Wider Corporate Reporting.

The Board discussed:

- a. an initial survey of the wider corporate reporting landscape and an overview of implications for the Board; and
- b. more detailed implications for the Board and options for its Work Plan.

### ***An initial survey of the landscape (Agenda Paper 28A)***

The Board discussed the results to date of the research into the area of wider corporate reporting. 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.

Twelve Board members agreed with this decision.

### ***Options for the Board's Work Plan (Agenda Paper 28B)***

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.

Twelve Board members agreed with this decision.

### ***Next steps***

The Board will discuss the results of the further research and analysis received at a future meeting.

## **Goodwill and Impairment (Agenda Paper 18)**

The Board met on 21 March 2017 to discuss the status of its Goodwill and Impairment research project. No decisions were made.

### ***Next steps***

The staff will present proposals to the Board on:

- a. simplifying the impairment testing model in IAS 36 *Impairment of assets*;
- b. improving the effectiveness of the impairment testing model, which will also focus on additional disclosures; and
- c. identifying intangible assets in a business combination.

## **Discount rates—present value measurements (Agenda Paper 17)**

The Board met on 21 March 2017 to complete its discussion of the research project on discount rates.

### ***Report to the Board (Agenda Paper 17A)***

The Board discussed the report on the research project findings. The Board was not asked to make decisions on the findings.

### ***Concluding the research project (Agenda Paper 17B)***

The Board noted that the project has two outputs:

- a. the project findings; and
- b. a list of matters for future staff consideration in standard-setting work relating to discount rates and other aspects of present value measurements.

The Board decided that:

- a. it will not seek feedback from the public on the research outputs; and
- b. no further work on the research project is needed to meet its objectives.

All 12 Board members agreed with these decisions.

### ***Next steps***

In its work on other projects, the Board will review the research findings as they relate to existing requirements.

An education session at a future Board meeting will provide information on low and negative discount rates. The implications of these rates, which were beyond the scope of the research project, have prompted public debate in the last few months.

## **Insurance Contracts (oral update)**

The Board received an oral update on the current progress in the Insurance Contracts project. The Board plans to publish IFRS 17 *Insurance Contracts* in the second half of May 2017.

## **Primary Financial Statements (Agenda Paper 21)**

The Board met on 21 March 2017 to discuss the Primary Financial Statements project. The Board discussed two proposed subtotals in the statement(s) of financial performance, as well as guidance on classification, aggregation and disaggregation.

### ***Earnings before interest and tax (Agenda Paper 21A)***

The Board agreed (by consensus) that the staff should continue to explore:

- a. requiring the presentation of an earnings before interest and tax (EBIT) subtotal in the statement(s) of financial performance;
- b. defining EBIT as profit before finance income/expenses and tax; and
- c. describing finance income/expenses as income/expenses related to the entity's capital structure.

The Board asked the staff to consider:

- a. how to define an entity's capital structure; and
- b. whether additional guidance would be needed on the treatment of particular items of income and expense (for example, the net interest on net defined benefit liabilities and income/expenses from investments).

### ***Management operating performance measure (Agenda Paper 21B)***

The Board agreed (by consensus) that the staff should continue to explore:

- a. requiring the presentation of a management operating performance measure, rather than seeking to define operating profit, in the statement(s) of financial performance;
- b. allowing items to be excluded from the management operating performance measure as long as the subtotal meets the requirements in existing paragraphs 85, 85A and 85B of IAS 1 *Presentation of Financial Statements*; and
- c. requiring additional disclosures to provide transparency around presentation of the management operating performance measure.

## **General guidance on classification, aggregation and disaggregation (Agenda Paper 21C)**

The Board tentatively decided to develop, along the lines suggested in Agenda Paper 21C:

- a. principles for aggregation and disaggregation in the financial statements;
- b. definitions of the notions 'classification', 'aggregation' and 'disaggregation'; and
- c. guidance on the steps involved in applying 'classification', 'aggregation' and 'disaggregation' when preparing financial statements.

Ten Board members agreed and two disagreed with this decision.

The Board tentatively decided to explore providing more guidance on aggregation characteristics. Eleven Board members agreed and one disagreed.

### **Next steps**

At future meetings the Board will discuss items the staff was asked to develop further or to clarify in the proposals presented at this meeting. The staff will also explore:

- a. adjusted basic earnings per share;
- b. better ways to communicate information about other comprehensive income;
- c. presentation of the results of associates and joint ventures;
- d. targeted improvements in the statement of cash flows; and
- e. development of illustrative examples, including those for specific industries (eg financial institutions), for the primary financial statements.

## **The Conceptual Framework for Financial Reporting (Agenda Paper 10)**

The Board met on 21 March 2017 to discuss the Conceptual Framework project. In particular, the Board discussed whether and how the amendment to paragraph 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* should apply to accounting policies for rate-regulated activities. Further, the Board discussed the due process steps taken when developing *References to the Conceptual Framework*.

### **Applying the amendment to paragraph 11 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to rate-regulated activities (Agenda Paper 10B)**

The Board tentatively decided that:

- a. the amendment to paragraph 11 of IAS 8 will not apply to accounting policies for regulatory account balances. Instead, entities that develop accounting policies for regulatory account balances by reference to the *Framework for the Preparation of the Financial Statements* will be required to continue doing so until they apply the future Standard on rate-regulated activities. All 12 Board members agreed with this decision.
- b. the prohibition from applying the amendment to paragraph 11 of IAS 8 to accounting policies for regulatory account balances will apply both to existing and new accounting policies. Eleven of 12 Board members agreed and one Board member disagreed with this decision.
- c. a regulatory account balance will be defined as the balance of any expense (or income) account that:

- i. is not recognised as an asset or a liability in accordance with IFRS Standards; and
- ii. is included, or is expected to be included, by the rate regulator as defined in IFRS 14 *Regulatory Deferral Accounts* in establishing the rate(s) that can be charged to customers. Ten of 12 Board members agreed and two Board members disagreed with this decision.

### **Due process summary for References to the Conceptual Framework (Agenda Paper 10C)**

The Board reviewed the due process steps taken so far in developing *References to the Conceptual Framework* and also considered the re-exposure criteria in the *IASB and IFRS Interpretations Committee Due Process Handbook*.

All 12 Board members confirmed they are satisfied that the Board has completed all the necessary due process steps on the project to date and instructed the staff to begin drafting and balloting. Two of 12 Board members stated an intention to dissent from the publication of *References to the Conceptual Framework*.

### **Next steps**

The staff will proceed with drafting the *Conceptual Framework for Financial Reporting and References to the Conceptual Framework*.

## **Dynamic Risk Management (Agenda Paper 4)**

The staff presented the Board with education materials on the research project, following on from the 2014 discussion paper on the same topic. The accompanying presentation set out:

- a. project background and history up to and including March 2017;
- b. the planned approach and timeline for the initial stages of the project; and
- c. the immediate next steps.

No decisions were made at this meeting.

## **Financial Instruments with Characteristics of Equity (Agenda Paper 5)**

The Board met on 22 March 2017 to discuss two topics in the Financial Instruments with Characteristics of Equity research project.

The Board was given a summary of discussions to date (Agenda Paper 5A, which was provided for information only). No decisions were made.

The Board discussed:

- a. the application of the Gamma approach to derivatives on 'own equity';
- b. a summary of interactions with other IFRS Standards; and

c. due process and permission to ballot.

### ***Application of the Gamma approach to derivatives on 'own equity' (Agenda Paper 5B)***

The Board discussed how the Gamma approach would apply to the classification of derivatives on non-controlling interests with an exercise price denominated in a foreign currency.

All 12 Board members agreed with the analysis in the paper.

### ***Interactions with other IFRS Standards (Agenda Paper 5C)***

The Board discussed a summary of the potential implications of the Gamma approach for *The Conceptual Framework for Financial Reporting*, other IFRS Standards, IFRIC Interpretations and other projects on its agenda.

The Board was not asked for any decisions.

### ***Due process and permission to ballot (Agenda Paper 5D)***

The Board reviewed the due process steps it has taken to date in developing the Financial Instruments with Characteristics of Equity Discussion Paper (the Discussion Paper).

All 12 Board members confirmed they are satisfied that the Board has completed all the necessary due process steps on the project to date and instructed the staff to begin drafting and balloting the Discussion Paper.

The Board also decided that 180 days should be allowed for the Discussion Paper comment period. All 12 Board members agreed with this decision.

### ***Next steps***

Given its publication schedule, the Board expects to publish the Discussion Paper towards the end of 2017.

## **Work plan—projected targets as at 23 March 2017**

The work plan reflecting decisions made at this meeting was updated on the IASB website on 23 March 2017. [View it here.](#)

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