STAFF PAPER

April 2019

Board Meeting

Project	**Research Programme**
Paper topic	Research Update

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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 meeting in December 2018.

2. Appendix A summarises 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 from the research projects tab on http://www.ifrs.org/projects/work-plan/.

3. The staff expect to provide the next Research Update in around three or four months.

Recent developments

4. The main developments in the research programme since December 2018 are as follows:

   (a) the Board published project summaries for the research projects on Discount Rates (February 2019) and Disclosure Initiative—Principles of Disclosure (March 2019) and a project report and feedback summary on the Post-implementation Review of IFRS 13 *Fair Value Measurement* (December 2018).

(b) In December 2018, the Board moved the project on IBOR Reform and the Effects on Financial Reporting from the research programme to the maintenance programme

(c) The project on Subsidiaries that are SMEs[1] became active in March 2019.

(d) Following staff changes, the project on Pension Benefits that Depend on Asset Returns has become dormant and is expected to restart in Q3.

5. The staff expect to start work on the Post-implementation Review (PIR) of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* in Q2. At its meeting in April 2018, several members of the Accounting Standards Advisory Forum (ASAF) encouraged the Board to start this PIR as soon as possible. Pages 8 and 9 provide some comments on that PIR.

6. The staff also expect to start work on the pipeline project on the Equity Method in Q2 or Q3 because there is some overlap with some of the issues that will be considered in the PIR of IFRS 11.

Question for the Board

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

[1] Previously known as SMEs that are Subsidiaries

Appendix A: Summary of the Research programme at 27 March 2019

Active research projects

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

Active projects	
Project	*Status*
Financial Instruments with Characteristics of Equity	Board discussed feedback on the Discussion Paper in March 2019
Business Combinations Under Common Control	Board discussions continue
Dynamic Risk Management	Board discussions continue
Goodwill and Impairment	Board discussions continue
Extractive Activities	Became active September 2018
Pension Benefits that Depend on Plan Assets	Became active September 2018, currently dormant because of staff changes, expected to restart in Q3
Provisions	Became active December 2018
Subsidiaries that are SMEs	Became active March 2019

A2. As a reminder, the expected output of a research project is not an Exposure Draft. The expected output is evidence to help the Board decide whether or not to add to its work plan a standard-setting project or maintenance project.

Research pipeline

A3. The Board set up a pipeline of research projects in late 2016, following the latest Agenda Consultation. Pipeline projects are not yet on the active work plan.

A4. The research pipeline initially included eight projects, of which four have since became active (between September 2018 and March 2019). The Board consciously limited the size of the research pipeline so that it contains only those research projects on which it thought it could realistically expect to do a significant amount of the research before the next agenda consultation (expected to be completed in 2021).

A5. The research pipeline is not fixed through to 2021. The Board is free to add projects to the research pipeline if and when it sees fit. The Board has not yet added any projects to the pipeline.

A6. The Board indicated in February 2018 that it would aim to start the remaining pipeline projects by early 2020. The staff continue to monitor progress on the standard-setting work plan, the research programme and maintenance projects in assessing when to move pipeline projects to the active research programme and in what sequence, considering factors discussed in paragraph A10.

A7. The projects in the research pipeline are listed below, and appendix B provides more information about them.

Pipeline projects
Equity Method
High Inflation: Scope of IAS 29 *Financial Reporting in Hyperinflationary Economies*
Pollutant Pricing Mechanisms
Variable and Contingent Consideration

Post-implementation reviews

A8. We are required to carry out a PIR of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. The staff expect to start that PIR in Q2.

A9. 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*. The Board is not required to carry out a PIR of IFRS 5, but decided that a PIR would be the most effective and efficient way to review issues identified by the IFRS Interpretations Committee. The Board decided in February 2018 that it would aim to start the PIR of IFRS 5 by early 2020.

Starting pipeline projects and Post-implementation Reviews

A10. The Board said in the Feedback Statement *IASB Work Plan 2017-2021* that when it assesses 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. In the Research Update for February 2018, we assessed each of those pipeline projects and Post-Implementation Reviews against the factors listed above. We have not repeated that assessment in this paper.

A13. In appendix B, we give information on each of the pipeline projects, as well as on the two Post-implementation Reviews on which the Board expected in 2016 that it would make substantial progress by the end of 2021.

Appendix B: Summary of pipeline projects and of future Post-implementation Reviews

Project	**Equity Method**
Objective	To assess whether practice problems that arise using the equity method (for investments in associates and joint ventures) could be addressed by amending the equity method or whether a more fundamental review is needed.
Comments	The Board last discussed previous work on this topic in May 2016, during the Agenda Consultation. In December 2015, the Board deferred indefinitely the mandatory effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, an amendment made in September 2014 to IAS 28 (and to IFRS 10). The purpose of the deferral was to enable the Board to consider further issues in its research on the equity method. The Board decided in May 2016 that the next step is to seek feedback in the Post-implementation Review of IFRS 11 *Joint Arrangements* on investors' information needs regarding investments for which the equity method is used. Work on subtotals in Primary Financial Statements may identify subpopulations of those investments for which the equity method is used, for example by distinguishing integral from non-integral associates and joint ventures.

Project	High Inflation: Scope of IAS 29
Objective	To assess whether it would be feasible to extend the scope of IAS 29 *Financial Reporting in Hyperinflationary Economics* to cover economies subject to only high inflation, without amending other requirements of IAS 29. If the research establishes that this scope extension would not be feasible, the staff expects to recommend no work on IAS 29.
Comments	The main research would be to assess: • whether users who have no experience of using financial statements prepared under IAS 29 would welcome a requirement to apply IAS 29 when the reporting currency is subject to high inflation; • whether extending the scope of IAS 29 would often lead to some countries dipping in and out of the scope of the Standard; and • whether extending the scope of IAS 29 would place extra strain on the approach used by IAS 29.

Project	Pollutant pricing mechanisms
Objective	To assess whether the Board should develop a proposal to address any diversity that may exist in accounting for pollutant pricing mechanisms (including emissions trading schemes).
Comments	The Board last discussed previous work on this topic in October 2015 (with a limited update in the Agenda Consultation in April 2016).

Project	Variable and Contingent Consideration
Objective	To assess whether the Board should develop a proposal on how to account for variable and contingent payments for asset purchases outside a business combination. Once the Board has considered this topic, there may be a need for some follow up research on risk-sharing and collaborative arrangements.
Comments	This project came out of referrals from the IFRS Interpretations Committee. The first step would be to do some initial scoping work to assess how broad this project is. Issues to be considered are likely to include: • When should a liability be recognised for a future variable or contingent payment, at what amount, and should part or the whole of that amount be reflected in the measurement of the asset acquired? • Should subsequent remeasurements of the liability lead to revisions to the measurement of the asset purchased (and if so in what circumstances), or are the remeasurements part of the entity's performance?

Project	Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*
Objective	To evaluate whether these Standards are working as the Board intended.
Comments	The Due Process Handbook states a 'PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date.' IFRS 10, IFRS 11 and IFRS 12 became mandatory for annual periods that began on or after 1 January 2013. Amendments relating to investment entities became mandatory one year later.

	Thus, for entities that have a calendar year end and are not investment entities, financial statements for 5 years should have been available once they prepared their 2017 financial statements. On the other hand, for entities that do not have a calendar year end and are investment entities, financial statements for only 3 years would be available until they issued their 2018 financial statements. It seems that sufficient experience should now exist to provide sufficient input for a PIR of these Standards during 2019, except perhaps for investment entities. Some stakeholders have cautioned the Board that the value of a PIR is limited if it is conducted too early for the Board to gather enough evidence of how a Standard is being applied in practice. If it is too soon to obtain sufficient high-quality input yet for investment entities, we could: • start the rest of the PIR in the meantime, and look at investment entities later; • wait until enough input is available for investment entities as well; or • start a PIR of IFRS 11 first, to provide input for the pipeline project on the equity method, and follow up later with the review of IFRS 10 and IFRS 12. Conducting this PIR as two separate exercises might not delay this work significantly. This is because there may be only a partial overlap between stakeholders interested in different components of the PIR. Thus, the outreach for different components of the PIR might need to be partly separated, even if the Board conducts the entire PIR as a single exercise. At its meeting in April 2018, members of the Accounting Standards Advisory Forum (ASAF) gave the Board advice on whether to conduct this PIR as a single exercise.

Project	**Post-implementation Review of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***
Objective	To evaluate whether IFRS 5 is working as the Board intended.
Urgency	IFRS 5 came into effect in 2005. Thus, the Board is not required to conduct a PIR, but decided after the most recent Agenda Consultation to do so, as the most effective and efficient way to review issues raised by the Interpretations Committee.