

## STAFF PAPER

June 2018

## FASB/IASB Educational Meeting

<b>Project:</b>	<b>Update</b>		
<b>Paper topic</b>	<b>Update on all projects not otherwise covered</b>		
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This paper has been prepared for discussion at a public educational meeting of the US Financial Accounting Standards Board (the FASB) and the International Accounting Standards Board (Board). It does not represent the views of the boards or any individual member of either board. Comments on the application of IFRS® Standards or US GAAP do not purport to set out acceptable or unacceptable application of IFRS Standards or US GAAP. Technical decisions are made in public and reported in FASB Action Alert or in IASB *Update*.

**Objective of this education session**

- 1 This paper summarises all International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) projects that will not otherwise be discussed during the Joint Education Sessions taking place on 19 June 2018.
- 2 The paper is structured as follows:
  - Appendix A – Summary of IASB projects.
  - Appendix B – Summary of FASB projects.

## Appendix A – Summary of the IASB projects

Topic	Description
<b>Completed Projects</b>	
Conceptual Framework	The IASB issued its revised <i>Conceptual Framework for Financial Reporting</i> in March 2018. It is effective immediately for the Board and the IFRS Interpretations Committee. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, it is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.
Insurance Contracts	The IASB issued IFRS 17 <i>Insurance Contracts</i> in May 2017. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied.

## Appendix A – Summary of the IASB projects

Topic	Description
<b>Research Projects</b>	
Business Combinations under Common Control	The Board has finalised its discussion of the scope of the project and is now exploring how companies should account for combinations of businesses under common control. The Board plans to publish a Discussion Paper in the first half of 2019.
Dynamic Risk Management	<p>The IASB is exploring a new model with the objective of improving the information provided regarding risk management, which is dynamic and how such risk management activities affect a financial institution’s current and future economic resources.</p> <p>It expects to complete in H1 2019 the development of its core model, which will form the base for further outreach before the IASB continues developing the remaining non-core aspects of the model.</p>
Financial Instruments with Characteristics of Equity	<p>The objective of this project is to address challenges that arise when applying IAS 32 <i>Financial Instruments: Presentation</i> to classify financial instruments issued by entities, focusing on the accounting for financial instruments with characteristics of equity, in particular.</p> <p>In this project, the IASB aims to develop clear classification principles while limiting changes to classification outcomes of IAS 32 that are well understood. The IASB has also considered how presentation and disclosure requirements may provide additional useful information. The IASB expects to publish a Discussion Paper in June 2018.</p>
Discount Rates	The Board examined why different IFRS Standards require different discount rates. The Board identified some discount rate issues that may be investigated while doing other projects. The Board plans to publish a summary of the research findings in Q3 2018.

**Appendix A – Summary of the IASB projects**

Topic	Description
Share-Based Payments	The Board examined why IFRS 2 <i>Share-based Payments</i> generated many application questions for the IFRS Interpretations Committee. Several of these resulted in narrow-scope amendments. The Board has completed its research and concluded that no further amendments to IFRS 2 are needed. The Board plans to publish a summary of the research findings in Q3 2018.

## Appendix A – Summary of the IASB projects

Topic	Description
<b>Standards-level projects</b>	
Management Commentary	<p>The IASB expects to issue in H1 2020 an Exposure Draft to update IFRS Practice Statement 1 <i>Management Commentary</i>.</p> <p>This project will include consideration of how discussion of broader financial reporting, including business-critical resources and long-term value creation, could complement and support IFRS financial statements.</p> <p>The IASB is in the process of establishing a Management Commentary Consultative Group to advise the Board on this project.</p>
Rate-regulated Activities	<p>The IASB is developing a new accounting model to give users of financial statements better information about a company's incremental rights and obligations arising from its rate-regulated activities. The Board has made tentative decisions regarding scope, recognition and aspects of measurement to date. The IASB expects to continue its deliberations and issue a consultative document in H1 2019.</p>

## Appendix A – Summary of the IASB projects

Topic	Description
<b>Maintenance projects</b>	
Accounting policies and accounting estimates	The Board proposed clarifying the distinction between a change in accounting policy and a change in an accounting estimate—the two are accounted for differently. The Exposure Draft <i>Accounting Policies and Accounting Estimates</i> was published on 12 September 2017 and the Board considered feedback in March 2018.
Accounting policy changes	The Board tentatively decided to propose amending IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to lower the impracticability threshold regarding retrospective application of voluntary changes in accounting policies that result from agenda decisions. The proposed threshold would include a consideration of the costs and benefits of applying such changes retrospectively. The Board published an exposure draft on 27 March 2018 and expects to consider feedback in H2 2018.
Availability of a Refund	The Board has proposed amending IFRIC 14 to clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan. Before proceeding to draft the amendments, the Board plans to perform further work on the possible effects of the amendments.
Classification of Liabilities	The Board has proposed clarifying whether companies classify debt as current or non-current if they have a right to renew the debt. The IASB expects to decide project direction in Q3 2018.

## Appendix A – Summary of the IASB projects

Topic	Description
Definition of a Business	The Board has proposed clarifying how a company determines whether it has acquired a business or a group of assets. The Board expects to issue final amendments in the second half of 2018. The amendments are largely consistent with amendments the FASB finalised in 2017.
Definition of Material	The Board published the Exposure Draft <i>Definition of Material</i> in September 2017. This Exposure Draft proposed clarifying the definition of what information is material. The Board will discuss issues arising from the Exposure Draft at its June meeting.
IFRS 3 Amendments resulting from changes to the <i>Conceptual Framework</i>	The Board will consider updating references to the <i>Conceptual Framework</i> in IFRS 3, in particular references to the definitions of assets and liabilities, so that they refer to the 2018 <i>Conceptual Framework</i> .
Fees in the ‘10 per cent’ test for derecognition	The Board will publish a proposal to amend IFRS 9 <i>Financial Instruments</i> to clarify which fees and costs a company includes in a quantitative ‘10 per cent’ test for assessing whether to derecognise a financial liability. The timing of publication of the proposed amendments depends on the identification of other matters for inclusion in the next annual improvements to IFRS Standards.
Property, Plant and Equipment: Proceeds before Intended Use	The IASB issued an Exposure Draft proposing to prohibit a company from deducting from the cost of property, plant and equipment any proceeds that it receives from selling items produced by using or testing that property, plant and equipment while it is being prepared for its intended purpose. Instead, the company would recognise those sales proceeds in profit or loss.

## Appendix A – Summary of the IASB projects

Topic	Description
	The IASB discussed a summary of the feedback in December 2017 and the Interpretations Committee will discuss how to proceed at its June 2018 meeting.
Subsidiary as a First-Time Adopter	At its meeting in December 2017, the Board tentatively decided to propose an amendment to IFRS 1 to require a subsidiary that applies paragraph D16(a) of IFRS 1 to measure its cumulative translation differences using the amounts reported by its parent. The timing of publication of the proposed amendments depends on the identification of other matters for inclusion in the next annual improvements to IFRS Standards.
Taxation in Fair Value Measurements	The Board will publish a proposal to amend IAS 41 <i>Agriculture</i> to remove the requirement for entities to exclude taxation cash flows when measuring the fair value of biological assets using a present value technique. The timing of publication of the proposed amendments depends on the identification of other matters for inclusion in the next annual improvements to IFRS Standards.
Taxonomy	The IASB expects to issue in Q3 2018 a Proposed Update to the IFRS Taxonomy to propose amendments for potential common practice elements related to the presentation and disclosure requirements of IFRS 13 <i>Fair Value Measurement</i> .

## Appendix A – Summary of the IASB projects

Topic	Description
<b>Research pipeline projects</b>	
Equity Method	This project is part of the IASB’s research pipeline. It is not currently active but the Board expects to begin assessing whether practice problems could be addressed by amending the equity method or whether a more fundamental review is needed beginning in 2019 or early 2020.
Pollutant Pricing Mechanisms	This project is part of the IASB’s research pipeline. It is not currently active, but the IASB expects to start this project in 2019 or early 2020. It will assess whether the Board should consider addressing any diversity that may exist in accounting for pollutant pricing mechanisms (including emissions trading schemes).
Provisions	This project is part of the IASB’s research pipeline. It is not currently active, but the IASB expects to begin assessing in 2018 whether the Board should consider amending any aspects of <i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</i> in the light of possible changes to the <i>Conceptual Framework</i> .
Extractive Activities	This project is part of the IASB’s research pipeline. It is not currently active, but the IASB expects to begin assessing in 2018 whether to introduce accounting requirements for exploration, evaluation, development and production of minerals and oil and gas.
Variable and Contingent Consideration	This project is part of the IASB’s research pipeline. It is not currently active but the Board expects to begin assessing whether it should develop a proposal on how to account for variable and contingent payments for asset purchases outside a business combination in 2018.

**Appendix A – Summary of the IASB projects**

Topic	Description
<b>Feasibility studies</b>	
High Inflation	This project is part of the IASB’s research pipeline. It is not currently active, but the IASB expects to assess whether it would be feasible to extend the scope of IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> to cover economies subject to only high inflation, without amending other requirements of IAS 29 in 2019 or early 2020.
Pension Benefits that Depend on Asset Returns	This project is part of the IASB’s research pipeline. It is not currently active, but the IASB expects to begin assessing in 2018 whether it would be feasible to develop an approach that focuses on the relationship between the cash flows included in the measurement of those benefits and the discount rate.
SMEs that are Subsidiaries	This project is part of the IASB’s research pipeline. It is not currently active, but the IASB expects to begin assessing whether it would be feasible to permit SMEs to use the recognition and measurement requirements in IFRS Standards and the disclosure requirements in the IFRS for SMEs in 2018.

## Appendix A – Summary of the IASB projects

Topic	Description
<b>Post-Implementation Reviews</b>	
Post-Implementation Review on IFRS 10, 11, 12	The Board intends to conduct a Post-Implementation Review of IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i> , beginning in 2019 or early 2020.
Assets Held for Sale and Discontinued Operations	The Board intends to conduct a Post-Implementation Review of IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> , beginning in 2019 or early 2020.

## Appendix B – Summary of the FASB projects

This appendix summarizes all projects that are on the FASB’s technical agenda and research agenda. The projects are grouped by type/scope of the project.

### Framework

Topic	Description
Conceptual Framework: Elements, Measurement, Presentation, Board’s Decision Process	The objective of the conceptual framework project is to develop an improved conceptual framework that provides a sound foundation for developing future accounting standards. Such a framework is essential to fulfilling the Board’s goal of developing standards that are principles based, internally consistent, and that lead to financial reporting that provides the information capital providers need to make decisions in their capacity as capital providers.
Disclosure Framework: Board’s Decision Process, Entity’s Decision Process	The objective and primary focus of the Disclosure Framework project is to improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users of each entity’s financial statements. (Although reducing the volume of the notes to financial statements is not the primary focus, the Board hopes that a sharper focus on important information will result in reduced volume in most cases.). The Board plans to issue a final concept statements and other codification amendments in Q3, 2018.

## Appendix B – Summary of the FASB projects

### Recognition & Measurement – Broad

Topic	Description
Distinguishing Liabilities from Equity	The objective of this project is to improve understandability and reduce complexity (without loss of information for users) of the accounting for instruments with characteristics of liabilities and equity (including convertible debt). The project was added to the Board’s agenda on September 20, 2017.
Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts	The objective of the project is to improve, simplify, and enhance the financial reporting requirements for long-duration contracts issued by insurance entities, thus providing financial statement users with more decision-useful information about the amount, timing and uncertainty of cash flows related to long-duration contracts. The Board plans to issue a final Accounting Standards Update (ASU) in Q3, 2018.

## Appendix B – Summary of the FASB projects

### Recognition & Measurement – Narrow

Topic	Description
Codification Improvements	The objective of this project is to provide regular updates and improvements to the <i>FASB Accounting Standards Codification</i> ® on the basis of feedback received from stakeholders.
Collaborative Arrangements: Targeted Improvements	The objective of this project is to make targeted improvements to the guidance in Topic 808, Collaborative Arrangements, to clarify when transactions between participants in a collaborative arrangement are within the scope of the revenue guidance. The project also aims to provide unit of account guidance for collaborative arrangements. The Board issued a proposed Accounting Standards Update for public comment on April 26, 2018.
Consolidation Reorganizations and Targeted Improvements	The objective of this project is to reorganize the guidance in Topic 810, Consolidation. The Board has learned from stakeholders that Topic 810, as currently organized, is difficult to navigate and is reorganized within practitioner guidance to assist practitioners and preparers in its application. Additionally, some stakeholders indicated that there are certain terms and concepts that are overly complex and could be clarified. The Board issued a proposed Accounting Standards Update for public comment on September 20, 2017. The Board will consider feedback received on the proposed Accounting Standards Update at a future meeting.

## Appendix B – Summary of the FASB projects

Topic	Description
Consolidation Targeted Improvements to Related Party Guidance for Variable Interest Entities	The objective of the project is to make targeted improvements to the related party guidance for VIEs specific to (1) applying the VIE guidance to private companies under common control, (2) considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests, and (3) applying certain requirements when power is shared among related parties or when, as a group, related parties under common control have a controlling financial interest in a VIE but none of the parties individually conclude that they have a controlling financial interest. The Board issued a proposed Accounting Standards Update for public comment on June 22, 2017. The Board plans to issue a final ASU in the Q3, 2018.
Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangements that is Considered a Service Contract	The objective of the project is to reduce complexity and diversity in practice by clarifying the accounting for implementation costs of a cloud computing arrangement that is a service contract. The Board issued a proposed Accounting Standards Update for public comment on March 1, 2018. The Board will consider ratification of a final ASU at a future Board meeting.
Hedging–Last-of-Layer Method	The objective of this project is to address issues related to accounting for basis adjustments and multiple-layer hedging strategies within the last-of-layer method. The Board added the project to its technical agenda on March 28, 2018. Discussion is planned at a future meeting.
Improvements to Accounting for Episodic Television Series	The entertainment industry has experienced significant change in production and distribution models over the recent years. As a result, some stakeholders have questioned whether the constraint in the capitalization guidance for episodic content still provides relevant information to investors considering these changes. For example, the internet has introduced new distribution channels with streaming capabilities and new participants into the industry with different business models, such as subscription-based revenue models. The objective of this project is to determine whether the existing capitalization models still provide relevant financial reporting in the current business environment. The Board added the project to its technical agenda on March 28, 2018 and decided the project would be addressed by the EITF. The EITF commenced initial deliberations at the June 6, 2018 meeting.

## Appendix B – Summary of the FASB projects

Topic	Description
Improving the Accounting for Asset Acquisitions and Business Combinations (Phase 3 of the Definition of a Business Project)	The objective of this project (Phase 3) is to improve the accounting for asset acquisitions and business combinations by aligning the accounting for the recognition and derecognition of assets and businesses. The Board has recently discussed how certain areas within the accounting for asset acquisitions and business combinations could be aligned. Discussion is planned at a future Board meeting.
Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes	The objective of this project is to add the overnight index swap (OIS) rate based on the Secured Overnight Financing Rate (SOFR) to the list of permissible benchmark rates for hedge accounting purposes. The Board will redeliberate the proposed ASU that was issued for public comment at a future Board meeting.
Leases—Targeted Amendments to Topic 842	The objective of this project is to (1) reduce the cost and complexity surrounding implementation of Topic 842, <i>Leases</i> , by providing an additional (and optional) transition method, and (2) simplify lessor accounting by providing a practical expedient that would allow lessor to account for lease components and the nonlease component(s) associated with those lease components as a single component under certain circumstances. The Board plans to issue a final ASU in Q2, 2018.
Nonemployee Share-Based Payment Accounting Improvements	The objective of the project is to reduce cost and complexity and improve the accounting for nonemployee share-based payment awards issued by public and private companies. The Board will issue a final ASU in Q2 of 2018.
Practical Expedients for Sales Taxes and Certain Lessor Costs Paid by Lessees in Lease Contracts	The objective of this project is to improve lessor accounting under Topic 842, <i>Leases</i> , for sales (and other similar) taxes and certain lessor costs. The Board plans to issue a proposed ASU for public comment in Q3, 2018.

## Appendix B – Summary of the FASB projects

Topic	Description
Recognition Under Topic 805 for an Assumed Liability in a Revenue Contract	The issuance and adoption of Topic 606, Revenue from Contracts with Customers, has raised questions about what definition should be applied in the recognition of a liability under Topic 805 for an assumed liability in a revenue contract for a business combination that occurs after the adoption of Topic 606. Given the diversity of potential views, the objective of this project is to narrow the diversity on the definition that should be used in the recognition of a liability under Topic 805 for revenue contract acquired after an entity has adopted Topic 606. The Board added the project to its technical agenda on March 28, 2018 and decided it would be addressed by the EITF. A consensus for exposure will be considered for ratification at a future Board meeting.
Revenue Recognition of Grants and Contracts by Not-for-Profit Entities	The objective of this project is to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit entities. The Board will issue a final Accounting Standards Update in Q2 of 2018.
Updating the Definition of Collections	The objective of the project is to modify the definition of the term <i>collections</i> in the Codification Master Glossary to include the concept of direct care. A proposed Accounting Standards Update will be issued in Q3 of 2018.

## Appendix B – Summary of the FASB projects

### Presentation & Disclosure

Topic	Description
<p>Disclosure Framework: Disclosure Review—Defined Benefit Plans, Fair Value Measurement, Income Taxes, Inventory, Interim Reporting</p>	<p>The objective and primary focus of the disclosure framework project is to improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users of each entity’s financial statements. Achieving the objective of improving effectiveness will require development of a framework that promotes consistent decisions about disclosure requirements by the Board and the appropriate exercise of discretion by reporting entities. Currently, four disclosure areas are being evaluated as part of the disclosure framework project. Each review will include (1) evaluation of existing disclosure requirements within the Topic after applying the concepts in the Board’s decision process and (2) promotion of the appropriate use of discretion by entities specifically within the Topic. Final ASU’s are expected on the disclosure review of Defined Benefit Plans and Fair Value Measurement in Q3, 2018.</p> <p>Additionally, disclosure requirements for <a href="#">interim reporting</a> are being evaluated for modification.</p>
<p>Disclosures by Business Entities About Government Assistance</p>	<p>The objective of this project is to develop disclosure requirements about government assistance that improves the content, quality and comparability of financial information and financial statements and that is responsive to the emerging issues in the changing financial and economic environment in which reporting entities operate. The Board issued a proposed Accounting Standards Update for public comment in November of 2015. The Board will finalize redeliberations of the proposed ASU at a future Board meeting.</p>
<p>Financial Performance Reporting—Disaggregation of Performance Information</p>	<p>The objective of this project is to improve the decision-usefulness of the income statement through the disaggregation of performance information. In September 2017, the Board decided it would add a technical project to the active agenda that would focus on the disaggregation of performance information either through presentation in the income statement or disclosure in the notes. Discussions is planned at a future Board meeting.</p>

## Appendix B – Summary of the FASB projects

Topic	Description
Segment Reporting	The objective of this project is to undertake improvements to the segment aggregation criteria and disclosures to provide users with more decision-useful information about the reportable segments of a public entity. In September 2017, the Board decided to add the project on segment reporting to the technical agenda. Discussion is planned at a future Board meeting.
Simplifying the Balance Sheet Classification of Debt	The objective of this project is to provide guidance that will reduce the cost and complexity of determining the current versus noncurrent balance sheet classification of debt. The Board has directed the staff to draft a final Accounting Standards Update for vote by written ballot. Final redeliberations are planned at a future Board meeting.

## Appendix B – Summary of the FASB projects

### Research

Topic	Description
Accounting for Certain Identifiable Intangible Assets in a Business Combination and Subsequent Accounting for Goodwill for Public Business Entities and Not-for-Profits	The objective of this project is to determine whether certain or all the elements of the private company alternatives (issued in Accounting Standards Update No. 2014-02, <i>Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill</i> , and Accounting Standards Update No. 2014-18, <i>Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination</i> ) should be extended to public business entities and not-for-profit organizations.
Disclosure Review—Intangibles, Share-based Payment, Foreign Currency	The objective of these projects is to review current disclosure requirements to improve the financial information in notes to financial statements about intangibles, share-based payment, and foreign currency.
Financial Performance Reporting: Financial Statements of Not-for-Profit Entities, Structure of the Performance Statement	The objective of the Financial Performance Reporting project is to consider whether to require a measure of operations and whether and how to define a measure of operations for both Not-for-Profit Entities and business entities.
Income Taxes – Backwards Tracing	GAAP generally prohibits backwards tracing, which is the process of recognizing the effects of changes in deferred tax amounts in the current year in the same line item in which the deferred tax amounts were originally recorded (for example, other comprehensive income) in prior years. The objective of the Backwards Tracing project is to consider whether changes should be made to the prohibition on backwards tracing. The project also may consider alternatives to backwards tracing. The staff will consider the cost and benefits of backwards tracing from both a preparer perspective and a financial statement user perspective.
Inventory and Costs of Sales	The objective of the Inventory and Cost of Sales project is to improve the accounting for inventory and cost of sales and services, including (1) the objective of inventory costing in Topic 330, <i>Inventory</i> , (2) multiple inventory costing methods (including industry-specific cost capitalization guidance) and impairment models, and (3) areas in which there is a lack of guidance.

## Appendix B – Summary of the FASB projects

Topic	Description
Simplifications to Accounting for Income Taxes	The objective of the Simplifications to Accounting for Income Taxes project is to make narrow-scope targeted improvements in the area of accounting for income taxes to reduce unnecessary complexity while maintaining or improving the usefulness of financial information for financial statement users.
Targeted Improvements to the Statement of Cash Flows	The objective of the Targeted Improvement to the Statement of Cash Flows project is to reduce existing diversity in practice in how certain cash receipts and cash payments are presented in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics.
Variable Interest Entity Related Party Guidance	The objective of this project is to determine the frequency for which the VIE related party guidance in Topic 810 is applied to arrangements where related parties are under common control after considering the impact of the Board's decisions to (1) provide a private company accounting alternative to allow private companies to not apply VIE guidance in certain circumstances and (2) amend the VIE guidance to require that indirect interests held through related parties in common control arrangements be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests.