

STAFF PAPER

September 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 April 2019.
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, including Post-implementation Reviews, since April 2019 are as follows:
 - (a) The Board has reviewed the feedback received on the Discussion Paper *Financial Instruments with Characteristics of Equity*.
 - (b) The Board has reached preliminary views on Goodwill and Impairment and given the staff permission to start drafting a Discussion Paper.

- (c) The Board has continued to develop the core model for Dynamic Risk Management.
- (d) The Board has continued to discuss Business Combinations under Common Control.
- (e) The Board has discussed stakeholder feedback on the scope of a possible project to amend aspects of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
- (f) Following staff changes, the project on Pension Benefits that Depend on Asset Returns had become dormant. It is expected to restart in Q4, with the aim of asking the Board to review the research in H2 2020.
- (g) The staff are starting 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*.
- (h) The staff are considering whether to start work on the pipeline project on the Equity Method in the next few months because there is some overlap with some of the issues that will be considered in the PIR of IFRS 11.
- (i) It is now unlikely that work will start in the next few months on the other pipeline projects, or on the Post-implementation Review of IFRS 5. This is because of the need to devote resources to high-priority projects, such as the amendments to IFRS 17 and IBOR.

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?

Appendix A: Summary of the Research programme at 12 September 2019

Active research projects

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

Active projects	
<i>Project</i>	<i>Status</i>
Financial Instruments with Characteristics of Equity	Board has discussed feedback on the Discussion Paper. Board discussions continue this month.
Goodwill and Impairment	Staff are drafting a Discussion Paper for publication around the end of 2019.
Dynamic Risk Management	Outreach on core model planned 2019.
Business Combinations Under Common Control	Board discussions continue this month
Extractive Activities	Board discussions continue this month.
Subsidiaries that are SMEs	Board discussions start this month.
Provisions	Board discussions will continue in October
Pension Benefits that Depend on Asset Returns	Became dormant in early 2019 because of staff changes. About to restart.

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 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 become 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 added any projects to the pipeline since it set up the pipeline in 2016.
- A6. The Board indicated in February 2018 that it would aim to start the remaining pipeline projects by early 2020. It is now unlikely that those projects will start as early as that. 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 <i>Financial Reporting in Hyperinflationary Economies</i>
Pollutant Pricing Mechanisms
Variable and Contingent Consideration

Post-implementation review of IFRS 5

- A8. The Board decided after the most recent Agenda Consultation to carry out a Post-implementation review (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 purpose of the PIR would be to evaluate whether IFRS 5 is working as the Board intended. IFRS 5 came into effect in 2005.
- A9. The Board decided in February 2018 that it would aim to start the PIR of IFRS 5 by early 2020, but the PIR is now unlikely to start as early as that.

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 appendix B, we give information on each of the pipeline projects.

Appendix B: Summary of pipeline projects

Project	Equity Method
Objective	<p>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.</p>
Comments	<p>The Board last discussed previous work on this topic in May 2016, during the Agenda Consultation.</p> <p>In December 2015, the Board deferred indefinitely the mandatory effective date of <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>, 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.</p> <p>The Board decided in May 2016 that the next step is to seek feedback in the Post-implementation Review of IFRS 11 <i>Joint Arrangements</i> on investors' information needs regarding investments for which the equity method is used.</p> <p>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.</p>

Project	High Inflation: Scope of IAS 29
Objective	<p>To assess whether it would be feasible to extend the scope of IAS 29 <i>Financial Reporting in Hyperinflationary Economics</i> to cover economies subject to only high inflation, without amending other requirements of IAS 29.</p> <p>If the research establishes that this scope extension would not be feasible, the staff expects to recommend no work on IAS 29.</p>
Comments	<p>The main research would be to assess:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <p>Once the Board has considered this topic, there may be a need for some follow up research on risk-sharing and collaborative arrangements.</p>
Comments	<p>This project came out of referrals from the IFRS Interpretations Committee.</p> <p>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:</p> <ul style="list-style-type: none"> • 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?