IASB Update

From the International Accounting Standards Board

April 2013

Welcome to the IASB *Update*

The IASB met in public from 23-25 April 2013 at the IASB offices in London, UK.

This was the first meeting for the new Board member, Gary Kabureck. There are now 16 voting Board members, all of whom were present at this meeting.

The topics for discussion were:

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Future Board meetings

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

The next Board meetings in 2013 are:

16–24 May
17–21 June
22-26 July

To see all Board meetings for 2013, **click here**.

Archive of IASB *Updates*

To view archived copies of past issues of IASB *Update* on the IFRS website, **Click here**.

Podcast summaries

To listen to short Board meeting audio summaries (podcasts) of previous Board meetings, **click here**.

Comprehensive review of the *IFRS for SMEs* (education session)

The IASB met on 23 April to continue discussing the issues in the IASB's 2012 Request for Information: *Comprehensive Review of the IFRS for SMEs*.

Development of the IFRS for SMEs (Agenda Paper 8A)

The IASB had an education session on the ways in which full IFRSs were simplified in developing the *IFRS for SMEs*. The session was held to support the IASB's continuing discussions on the scope of the *IFRS for SMEs*.

No decisions were made.

Comprehensive review of the *IFRS for SMEs*

The IASB met on 23 April to continue discussing the issues in the IASB's 2012 Request for Information: *Comprehensive Review of the IFRS for SMEs* ('Request for Information').

Development of the* IFRS for SMEs *(Agenda Paper 8A)

The IASB had an education session on the way in which full IFRS was simplified in developing the *IFRS for SMEs*. The session was held to support the IASB's continuing discussions on the scope of the *IFRS for SMEs*. No decisions were made.

Scope of the* IFRS for SMEs *— Considering use by publicly accountable entities (Agenda Paper 8B)

Paragraph 1.5 of the *IFRS for SMEs* prohibits publicly accountable entities from stating compliance with the *IFRS for SMEs*. The IASB discussed whether paragraph 1.5 of the *IFRS for SMEs* could be replaced by a requirement for publicly accountable entities to disclose that they are not within the intended scope of the *IFRS for SMEs*. The IASB tentatively decided not to delete or replace paragraph 1.5. Nine IASB members agreed with this decision.

New and revised IFRSs (Agenda Paper 8C)

The IASB continued its discussion from the March 2013 meeting on how the *IFRS for SMEs* should be updated in the light of new and revised Standards that have been issued since it was first published. At this meeting the IASB considered the five new or revised Standards that staff believe had the potential to result in the most significant changes to the *IFRS for SMEs*, namely IFRS 3 *Business Combinations* (2008), IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* (2011). The IASB acknowledged that many jurisdictions have only recently adopted the *IFRS for SMEs*and so there is a special need to provide these entities with a stable platform at this time. Consequently the IASB tentatively decided not to amend the *IFRS for SMEs* during this initial review to incorporate IFRS 3 (2008), IFRS 10, IFRS 11 and IFRS 13, and IAS 19 (2011). Fourteen IASB members agreed with this decision.

Accounting policy options (Agenda Paper 8D)

The IASB considered three issues relating to whether an entity should be able to apply a more complex accounting policy based on requirements currently required or permitted in full IFRS. The IASB made the following tentative decisions:

- not to include an option for the revaluation model to be used for property, plant and equipment. Fourteen IASB members agreed with this decision;
- not to include an option (or requirement) for development costs to be capitalised on a similar basis to IAS 38 *Intangible Assets*. All IASB members agreed with this decision; and
- not to include an option (or requirement) for borrowing costs to be capitalised on a similar basis to IAS 23 *Borrowing Costs*. All IASB members agreed with this decision.

Optional fallback to full IFRS for financial instruments (Agenda Paper 8E)

The IASB tentatively decided to keep the option for entities to use the recognition and measurement principles in IAS 39 *Financial Instruments: Recognition and Measurement* until IFRS 9 *Financial Instruments* is completed and considered at a future review of the

IFRS for SMEs. All IASB members agreed with this decision.

Income Tax (Agenda Paper 8E)

Section 29 *Income Tax* is based on the IASB's March 2009 Exposure Draft *Income Tax* (the '2009 ED'). When the *IFRS for SMEs* was issued, the 2009 ED was expected to result in amendments to IAS 12 *Income Taxes* to eliminate some exemptions from recognising deferred taxes and to simplify the accounting in other areas. The IASB tentatively decided that because the 2009 ED was not finalised, the requirements in Section 29 should be aligned with IAS 12, taking into account appropriate modifications in the light of users' needs and cost-benefit considerations. Thirteen IASB members agreed with this decision.

The IASB also tentatively decided that the December 2010 amendment to IAS 12 to add a rebuttable presumption that the carrying amount of investment property measured at fair value will be recovered through sale should be incorporated in Section 29. All IASB members agreed with this decision.

Other questions in the* Request for Information *(Agenda Paper 8G)

Issues relating to requirements in the IFRS for SMEs

The IASB tentatively decided to modify paragraph 18.20 of the *IFRS for SMEs* to specify that if an entity is unable to make a reliable estimate of the useful life of an intangible asset, the useful life should not exceed 10 years. Fourteen IASB members agreed with this decision.

The IASB tentatively decided not to modify the requirements for share subscription receivables in paragraph 22.7(a). Nine IASB members agreed with this decision. No IASB members supported any of the suggestions made by respondents to the *Request for Information* regarding adding further topics to the *IFRS for SMEs*.

SME Implementation Group Q&A programme

The IASB made the following tentative decisions regarding the SME Implementation Group (SMEIG) Q&A programme:

- The Q&A programme should continue as a two tier system:
  - Tier 1: issues would be those requiring authoritative guidance and would require full due process. These issues are expected to be rare.
  - Tier 2: issues would be dealt with by non-mandatory education material subject to the normal due process for educational material.
- A procedure should be established to allow constituents to submit issues on the *IFRS for SMEs* via the IASB website. Only issues meeting the criteria in paragraph 15 of the SMEIG terms of reference would be dealt with by the SMEIG. Other issues would be considered when updating the IFRS Foundation education material on the *IFRS for SMEs*.
- Existing Q&As should be incorporated into the *IFRS for SMEs* and/or the IFRS Foundation education material as appropriate and the original Q&A will then be deleted.

All IASB members agreed with the above decisions on the Q&A programme.

Next steps

The IASB will continue to discuss the main issues raised by respondents to the *Request for Information* at its next meeting.

Recoverable Amount Disclosures for Non-Financial Assets

The IASB met on 23 April 2013 to analyse comment letters received on the Exposure Draft ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36) that was published in January 2013.

In developing IFRS 13, the IASB intended to amend some of the disclosure requirements in IAS 36 *Impairment of Assets* for measuring the recoverable amount of impaired assets, particularly if that recoverable amount is based on fair value less costs of disposal (formerly 'fair value less costs to sell'). However, instead the amendment resulted in a requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The amendments proposed in the Exposure Draft clarified that the requirement to disclose the recoverable amount is intended only for impaired assets and not for each cash-generating unit for which the carrying amount of goodwill is significant.

The Exposure Draft also proposed to amend paragraph 130 of IAS 36 to require additional information about the fair value less costs of disposal of an individual asset for which the entity has recognised or reversed an impairment loss during the period, consistently with the disclosure requirements for impaired assets in US GAAP.

Moreover, the amendments in the Exposure Draft incorporated an amendment proposed by the Exposure Draft ED/2012/1 *Annual Improvements to IFRSs 2010–2012 Cycle* published in May 2012. That proposed amendment would require an entity to disclose the discount rate(s) used in the current and previous measurements (if any), when the recoverable amount of an impaired asset determined on the basis of fair value less costs of disposal was measured using a present value technique.

The Exposure Draft proposed that the amendments should be applied retrospectively for annual periods beginning on or after 1 January 2014 and that earlier application of the amendments should be permitted.

Having considered respondents' comments, the IASB tentatively decided to proceed with the final amendments subject to only minor drafting modifications.

All IASB members agreed.

Next steps

The IASB expects to issue the Amendments to IAS 36 in May 2013.

Annual Improvements (2012-2014 Cycle)

IFRS 7 Financial Instruments*: Disclosure—Applicability of the Amendments to IFRS 7 to condensed interim financial statements*

At its March 2013 meeting, the IFRS Interpretations Committee ('the Interpretations Committee') discussed a request for guidance on the applicability of the amendments to IFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* issued in December 2011 ('Amendments to IFRS 7') to condensed interim financial statements. The Interpretations Committee was asked to clarify the meaning of "interim periods within those annual periods" as used in paragraph 44R of IFRS 7. The submitter noted there is uncertainty about whether the additional disclosure required by the Amendments to IFRS 7 should be included in condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*. The Interpretations Committee noted that the current wording of paragraph 44R has the potential to lead to divergent interpretations and requested the staff to consult the IASB in order to determine what the IASB's intention was.

At the April 2013 IASB meeting, the staff consulted the IASB on this issue. The IASB agreed that the additional disclosure required by the Amendments to IFRS 7 is not specifically required for all interim periods after the first year of application of the Amendments to IFRS 7.

However, the additional disclosure is required to be given in condensed interim financial statements prepared in accordance with IAS 34 when its inclusion would be required in accordance with the requirements of IAS 34. IAS 34 requires disclosure of information in condensed interim financial statements when its omission would make the condensed interim financial statements misleading. The IASB noted that an interim financial report should include an explanation of events and transactions that are significant to understanding the changes in financial position and performance of the entity since the end of the last annual reporting period.

Twelve IASB members agreed.

Next steps

The staff will report the views of the IASB to a future Interpretations Committee meeting to enable the Interpretations Committee to conclude whether it should propose an amendment to IFRS 7.

Conceptual Framework

The IASB continued its discussions on the Conceptual Framework project. At this meeting, the IASB discussed and provided comments on a series of papers that taken together comprise an early draft of the Conceptual Framework Discussion Paper.

Most of the papers discussed at this meeting were redrafts of papers presented at the February and March 2013 meetings, updated in response to comments made during those meetings. In addition to the matters discussed below, IASB members provided the staff with various suggestions for improving the Discussion Paper.

The IASB also received a summary of the Conceptual Framework discussion that took place at the first meeting of the Accounting Standards Accounting Forum (ASAF). The summary is available **here**.

Purpose and status of the Conceptual Framework (Agenda references 10A and 10A(a))

At the February 2013 meeting, the IASB tentatively decided that the primary purpose of the Conceptual Framework is to assist the IASB in the development of future IFRSs and in its review of existing IFRSs. The Conceptual Framework may also assist preparers of financial statements in developing accounting policies for transactions or events that are not covered by existing IFRSs. In rare cases, the IASB may issue a new or revised IFRS that conflicts with some aspect of the Conceptual Framework if this is necessary to meet the overall objective of financial reporting. The IASB would explain its reasons for adopting such an approach in the Basis for Conclusions on that new or revised IFRS.

In this meeting, the IASB noted that:

a. the purpose of the Conceptual Framework is to assist the IASB by identifying principles for the IASB to use consistently in developing and revising IFRSs; and
b. the Conceptual Framework may help interested parties to understand and interpret IFRSs.

Elements of financial statements (Agenda reference 10B, 10B(a))

The IASB discussed the definitions of an asset and a liability. The existing definitions are:

a. An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
b. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow

from the entity of resources embodying economic benefits.

In February 2013, the IASB tentatively decided to make the following improvements to these definitions, to:

a. emphasise that an asset is the resource and a liability is the obligation, rather than the economic benefits that may flow from the resource or obligation; and
b. remove the reference to ‘expected’ inflows or outflows of economic benefits from the definitions.

At this meeting, the IASB discussed the following definitions that implement these changes:

a. An asset of an entity is a present economic resource controlled by the entity as a result of past events.
b. A liability of an entity is a present obligation of the entity to transfer an economic resource as a result of past events.
c. An economic resource is a right, or other source of value, that is capable of producing economic benefits, but only for the party that controls it.

The IASB noted that these definitions differed in the following respects from the definitions discussed in February:

a. The reference to control has been moved back into the definition of an asset. In February, the reference to control appeared in the recognition criteria, not in the definition of an asset.
b. The explicit reference to past events has been restored. The definition proposed in February did not include reference to past events, on the basis that it was redundant if the definition included the word ‘present’.

The IASB tentatively decided that the Discussion Paper should propose these revised definitions. The IASB also instructed the staff to consider, in drafting, whether to delete from the definition of an economic resource the phrase ‘but only for the party that controls it’.

In February, the IASB tentatively decided that the Discussion Paper should explain the difference between uncertainty about whether an asset or liability exists (sometimes called ‘existence uncertainty’) and uncertainty of outcome. Among other things, the IASB discussed at that meeting what approach to adopt for existence uncertainty, but did not reach a tentative conclusion.

At this meeting, the IASB continued that discussion. The IASB tentatively decided that the Conceptual Framework should not set a probability threshold to determine whether an asset or liability exists, in the rare cases when this is uncertain. If existence uncertainty is significant in a particular project, the IASB would decide in that project:

a. which threshold, if any, would result in the most relevant information for users; and
b. how to provide the most faithful representation of the circumstances, and how to make the information provided more complete, verifiable, timely and understandable.

Additional guidance to support the asset and liability definitions (Agenda references 10C and 10C(a))

The IASB discussed three approaches for identifying present obligations in which the outcome depends on the entity’s future actions:

a. Approach 1—obligations must be unconditional. For as long as an entity could avoid the transfer of resources through its future actions, it does not have a present obligation.
b. Approach 2—identify an obligation at the earlier of the two following times:
    i. when the entity incurs an unconditional obligation to transfer an economic resource; and
    ii. when the entity receives benefits in exchange for which it accepts a responsibility to transfer an economic resource.
c. Approach 3—identify a liability if, as a result of past events, the entity has an obligation to transfer economic resources to another party on more onerous terms than would have been required in the absence of those past events.

The IASB tentatively decided that:

a. it does not support Approach 1; and
b. it does not yet have a preference between Approaches 2 and 3.

Recognition and derecognition (Agenda reference 10D and 10D(a))

In February 2013, the IASB tentatively decided that, in general, recognising items that meet the definition of assets or liabilities is likely to provide useful information about the resources of the entity, claims against the entity and how effectively and efficiently management is using the entity's resources. However, there may be cases in which an entity should not recognise some asset or liability, either because recognising the element may not provide relevant information, or because the cost to provide the information is more than the benefits of providing the information.

At this meeting, the IASB tentatively decided that the recognition criteria should discuss, in addition to situations in which recognition may not provide relevant information, situations in which recognition may not result in a faithful representation. Thus, the Conceptual Framework would indicate that the IASB might decide in a particular standard that an entity should not recognise an asset or liability:

a. if recognising the asset or liability would provide users with information that is not relevant, or not sufficiently relevant to justify the cost; or
b. if no measurement of the asset or liability would result in a faithful representation of the asset or liability and of changes in the asset or liability

Measurement (Agenda reference 10F, 10F(a) and 10F(b))

Principles of measurement

In February 2013, the IASB discussed the following proposed principles of measurement:

a. Principle 1: the objective of measurement is to represent faithfully the most relevant information about the economic resources of the reporting entity, the claims against the entity, and how efficiently the entity's management and governing board have discharged their responsibilities to use the entity's resources.
b. Principle 2: although measurement generally starts with an item in the statement of financial position, the relevance of information provided by a particular measurement method also depends on how it affects the statement of comprehensive income and, if applicable, the statements of cash flows and of equity and the notes to the financial statements.
c. Principle 3: the cost of a particular measurement must be justified by the benefits of reporting that information to existing and potential investors, lenders, and other creditors.

Also in February 2013, the IASB tentatively decided that the most relevant measurement method will depend upon:

a. how the value of an asset will be realised; and
b. how an obligation will be fulfilled or settled.

At this meeting, the IASB tentatively decided the following:

a. The first principle discussed in February should be retained as a statement of the objective of measurement (rather than as a principle).
b. The second and third principles discussed in February, and the related discussion of those principles, should be retained as background information about how the objectives of financial reporting and the qualitative characteristics of useful financial information should influence measurement requirements. That discussion would make the following general points.
   i. the cost of a particular measurement should be justified by the benefits of reporting that information; and
   ii. in selecting an appropriate measurement method, the IASB should consider the information that would result from that method in both the statement of financial position and the statement of comprehensive income.
c. The following two factors should be developed into principles for inclusion in the Discussion Paper:

i. The most relevant measurement method for an asset should be consistent with the way by which that asset will contribute to future net cash inflows and the most relevant measurement method for a liability should be consistent with the way by which the entity will settle or otherwise fulfil that liability.
ii. The number of different measurements used should be the minimum necessary to provide relevant information. Unnecessary changes in measurement methods should be avoided, and necessary changes should be clearly explained.

Presentation in the statement of comprehensive income—profit or loss and OCI (Agenda references 10H and 10H(a))

The IASB discussed whether and how to distinguish items included in profit or loss from items included in other comprehensive income (OCI). The IASB tentatively decided that the Discussion Paper will review two broad approaches to presentation of profit or loss and OCI:

a. Approach 1 proposes that the Conceptual Framework should prescribe presentation of profit or loss as a total or subtotal. The items presented in OCI should be limited to remeasurements of recognised assets and liabilities measured on a current measurement basis. The IASB directed the staff to include in the Discussion Paper at least two variants of Approach 1:
   i. In the first variant of Approach 1, only two types of items are eligible for presentation in OCI (bridging items and mismatched remeasurements). Bridging items arise where the IASB decides that profit or loss should reflect a different measurement basis to that reflected in the statement of financial position. Mismatched remeasurements arise where an item of income or expense represents an economic phenomenon so incompletely that reporting that item in profit or loss would not provide relevant information. In this variant of Approach 1, all items presented in OCI are recycled in subsequent periods.
   ii. In the second variant of Approach 1, three types of item are eligible for presentation in OCI (bridging items and mismatched remeasurements as well as an additional category of items based on a set of indicators). An item presented in OCI is recycled into profit or loss in subsequent periods if, and only if, the IASB determines that recycling that item provides relevant information.
b. Approach 2 proposes that there should be a single statement of comprehensive income and that the Conceptual Framework would not prescribe a subtotal for profit or loss (or any other subtotal). Items presented in the statement of comprehensive income would be presented only once, that is, items previously presented in any part of the statement of comprehensive income would not be recycled in a subsequent period.

The Discussion Paper will indicate the IASB's preliminary preference for Approach 1. The IASB did not express a preference between the variants of that approach.

The use of the term 'business model' in the Conceptual Framework (Agenda reference 10K)

At this meeting, the IASB discussed whether an entity's business model is relevant to decisions that the IASB will make in setting Standards. The IASB tentatively decided that, when the IASB develops new or revised Standards, financial statements can be made more relevant if the IASB considers how an entity conducts its business activities. In addition, the IASB tentatively decided that the Discussion Paper should not provide a formal definition of 'business model'.

Other topics

The IASB provided some additional comments on the following topics for the staff to consider in drafting the Discussion Paper:

a. Definition of equity and distinction between liabilities and equity instruments (Agenda references 10E, 10E(a) and 10E(b));
b. Presentation and disclosure (general) (Agenda reference 10G and 10G(a));
c. Reporting entity (Agenda reference 10I and 10I(a)); and
d. Capital maintenance (Agenda reference 10J and 10J(a)).

Next steps

In May 2013, the IASB will review the due process followed in developing the Discussion Paper. At that meeting, the staff will also seek permission to begin the balloting process for the Discussion Paper, with the aim of publishing in early July.

Financial Instruments: Hedge Accounting

In January 2013 the IASB discussed issues that had arisen on the draft of the forthcoming hedge accounting requirements. During that meeting the IASB discussed the scope of the draft requirements and the interaction with macro hedging activities, and requested that the staff should seek further analysis and comment about how an election to apply IAS 39 instead of the new hedge accounting model might be designed and the consequences that might have before finalisation of the requirements.

At this meeting, the IASB finalised its deliberations on hedge accounting, addressing:

a. scope and interaction with macro hedging activities (Paper 13A);
b. compliance with due process (Paper 13B); and
c. re-exposure and permission to draft (Paper 13C).

Paper 13A: Scope and interaction with macro hedging activities

The IASB discussed whether it should provide a scope exception to the new hedge accounting requirements that will become part of IFRS 9 *Financial Instruments* to address interaction with 'macro hedging' activities. This would be an exception in addition to that already included in the draft hedge accounting requirements for a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities, and would extend the option to apply the hedge accounting requirements in IAS 39 *Financial Instruments: Recognition and Measurement* to 'macro cash flow hedging'. The IASB considered whether there was a need for allowing entities to continue to apply IAS 39 to these cash flow hedges. In the IASB's view it was not necessary to make any changes other than the clarifications it had tentatively agreed on at its January meeting. However, the IASB acknowledged that it had not yet completed its project on accounting for macro hedging and that providing a choice to continue to apply IAS 39 would allow entities to wait for the complete final picture related to hedging activities before applying a new hedge accounting model.

The IASB decided to provide entities with an accounting policy choice between applying the new hedge accounting requirements of IFRS 9 and retaining the existing requirements in IAS 39. It was noted that the accounting for fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities in IAS 39 would still be available to those who apply the new IFRS 9 hedge accounting model (as originally proposed). The IASB also emphasised that the new hedge accounting related disclosure requirements will become part of IFRS 7 *Financial Instruments: Disclosures* and would consequently apply to all entities applying hedge accounting under IFRSs (even if electing to continue to apply IAS 39 for hedge accounting).

Ten IASB members agreed and one abstained.

Paper 13B: Due process summary for the hedge accounting project

The IASB discussed whether due process requirements had been met during the course of the hedge accounting project. The IASB members agreed with the staff's view that due process requirements had been met.

Thirteen IASB members agreed.

Paper 13C: Re-exposure and permission to draft

In September 2011 the IASB decided that re-exposure of hedge accounting would not be necessary. The question was therefore whether the changes proposed to the final document as a result of issues raised during the fatal flaw process warranted the IASB changing its prior decision. The IASB decided that re-exposure was unnecessary.

Twelve IASB members agreed.

The IASB proceeded to consider whether to grant the staff the permission to proceed to drafting the Ballot Draft of the new version of IFRS 9, incorporating the final version of Chapter 6 *Hedge Accounting*. The IASB granted permission to draft.

Thirteen IASB members agreed.

Three IASB members noted that they were considering dissenting from the new hedge accounting requirements.

Next steps

The staff will proceed to draft the Ballot Draft of the new version of IFRS 9, incorporating the final version of Chapter 6 *Hedge Accounting*.

Post-implementation review of IFRS 8 *Operating Segments*

The IASB completed the evidence-gathering phase of its post-implementation review (PIR) of IFRS 8 *Operating Segments* in December 2012. The IASB met on 25 April to discuss:

a. sources of input to the PIR, due process and next steps;
b. messages received and feedback summary;
c. lessons learnt about the PIR process; and
d. feedback from the April 2013 meeting of the DPOC.

Sources of input to the PIR, due process and next steps (Agenda Paper 12 A)

The IASB discussed the three sources of input to the PIR process—public consultation, outreach and the review of academic literature. It considered the adequacy of that input and reviewed the due process protocol for the PIR of IFRS 8.

The IASB decided that the review work recorded is adequate with respect to the coverage of geographical regions and types of participants to ensure that representative views have been obtained. The IASB also decided that it had met the due process protocol requirements. All IASB members agreed.

Messages received and feedback summary (Agenda Paper 12 B)

The IASB decided that the draft feedback statement had identified all of the key messages received from the post-implementation review of IFRS 8, subject to some minor drafting changes. All IASB members agreed.

The staff noted that the *Due Process Handbook* makes it clear that there is no presumption that a PIR will result in amendments to the Standard. IASB members said that the feedback statement should be clear about what steps the IASB planned to take as a result of the review. For example, the feedback statement should identify issues that warrant potential follow-up, but not go so far as suggesting that they will result in narrow-scope amendments to the Standard. All IASB members agreed.

The IASB decided that the staff should draft a feedback statement and report on the PIR of IFRS 8. All IASB members agreed.

Lessons learnt about the PIR process (Agenda Paper 12 C)

The IASB discussed the feedback received on the PIR process itself together with the staff's analysis of how lessons learnt in conducting this PIR might affect the approach to subsequent PIRs. It also considered the effect that reviewing a Standard developed jointly with the FASB might have on the PIR process and how the IASB's process compares with that of the FAF.

The IASB concluded that the PIR process had been effective and was an appropriate basis for future reviews. The IASB also decided that the development of any proposed amendments to an IFRS that is converged with the equivalent guidance in US Generally Accepted Accounting Principles, proposed as a result of a PIR, should include active liaison with the FASB. All IASB members agreed.

Feedback from the April 2013 meeting of the DPOC (Agenda Paper 12 D)

The IASB discussed the IFRS Due Process Oversight Committee's (DPOC) feedback about the PIR of IFRS 8 and noted that the DPOC had concluded that the process used for the PIR of IFRS 8 had worked well in practice and represented a good start to the PIR process of the IASB.

Next steps

The IASB plans to publish the Feedback Statement and IASB Report on the Post-implementation Review of IFRS 8 in June 2013.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*—Interpretation on Levies

In May 2012, the Interpretations Committee published a draft Interpretation on the accounting for levies imposed by governments other than income taxes. The comment period ended on 5 September 2012.

At its March 2013 meeting, the Interpretations Committee completed its consideration of comments received and reached a consensus on the levies interpretation. The final interpretation addresses the accounting for liabilities to pay levies (other than income taxes within the scope of IAS 12 *Income Taxes*), both in the annual financial statements and in the interim financial report. An entity is not required to apply the interpretation to liabilities arising from emissions trading schemes.

At its April 2013 meeting, the IASB agreed to ratify the levies interpretation. Fifteen IASB members voted in favour of the ratification.

Next steps

The IASB expects to issue the final interpretation in May 2013.

IFRS IC Update

The IASB received an update from the March 2013 meeting of the IFRS Interpretations Committee. Details of the meeting were published in IFRIC *Update*, which is available by **clicking here**.

Annual Improvements to IFRSs 2010-2012 Cycle and 2012-2014 Cycle

The IASB discussed two of the proposed Improvements to IFRSs from the Exposure Draft (ED) of the proposed *Annual Improvements to*

IFRSs 2010-2012 Cycle published in May 2012.

Issue recommended for inclusion within the Annual Improvements cycle for 2010–2012

On the basis of the comments received from respondents and the recommendations of the IFRS Interpretations Committee, the IASB tentatively decided to finalise the following proposed amendment:

- IAS 16 *Property, Plant and Equipment and IAS 38 Intangible assets*–Revaluation method–proportionate restatement of accumulated depreciation

This amendment proposes to clarify the requirements for the revaluation method in IAS 16 and IAS 38 to address concerns about the computation of the accumulated depreciation/amortisation at the date of the revaluation.

All IASB members agreed.

Issue not recommended for inclusion within the Annual Improvements cycle for 2010–2012

IAS 7 Statement of Cash Flows—*Interest paid that is capitalised*

The ED of the proposed *Annual Improvements to IFRSs 2010–2012 Cycle* published in May 2012 included a proposal to clarify the classification in the statement of cash flows of interest paid that is capitalised as part of the cost of property, plant and equipment.

On the basis of the comments received from respondents and the recommendations of the IFRS Interpretations Committee, the IASB decided not to finalise the proposed amendment to paragraphs 16(a) and 33 and the proposed addition of paragraph 33A to IAS 7 because of:

a. concerns raised about the implementation of the amendment; and
b. the Interpretations Committee's observation that amendments to IAS 7 relating to classification of cash flows should not be made on a piecemeal basis unless the classification is evident from the current guidance in IAS 7 and an amendment to IAS 7 would make that classification clearer.

All IASB members agreed.

Next steps

The IASB plans to issue the amendments Annual Improvements to IFRSs 2010–2012 Cycle in the third quarter of 2013.

Issue not recommended for inclusion within the Annual Improvements cycle for 2012–2014

IAS 7 Statement of Cash Flows—*Definitions of operating, investing and financing activities*

At its January 2012 meeting the IASB asked the Interpretations Committee to review requests that it had received in relation to IAS 7 with a view to determining whether it could look collectively at issues about the classification of cash flows in accordance with IAS 7.

At its March 2012 meeting the Interpretations Committee observed that the primary principle behind the classification of cash flows in IAS 7 is that cash flows should be classified on the basis of the nature of the activity in a manner that is most appropriate to the business of the entity in accordance with paragraph 11 of IAS 7 and with the definitions of operating, investing and financing activities in paragraph 6 of IAS 7.

At its July 2012 meeting the Interpretations Committee discussed an analysis of some fact patterns to illustrate the application of the identified primary principle behind the classification of the cash flows, in an attempt to consider how to develop further guidance on the application of that principle.

At its March 2013 meeting, the Interpretations Committee discussed how the definitions of operating, investing and financing cash flows in IAS 7 could be made clearer and thus could lead to a more consistent application of the primary principle. In this respect it concluded that clarifying the application of the primary principle is a matter that is too broad for the Interpretations Committee to address and, as a consequence, it determined that it could not take a holistic approach to the specific fact patterns recently discussed regarding the classification of cash flows under IAS 7.

During its deliberations, the Interpretations Committee observed that several specific requests regarding the classification of cash flows had been considered individually but it thought that amendments to IAS 7 on a piecemeal basis would not be appropriate unless the classification is evident from the current guidance in IAS 7 and an amendment to IAS 7 would make that classification clearer.

Consequently, the Interpretations Committee did not propose that the IASB further clarify in IAS 7 the application of the primary principle for the classification of cash flows.

At its April 2013 meeting, following the IFRS Interpretations Committee's recommendation, the IASB tentatively agreed that amending the current definitions of operating, investing and financing in paragraph 6 of IAS 7 is a matter that is too broad for the Interpretations Committee to address and beyond the scope of the Annual Improvements project.

The IASB also tentatively agreed that amendments to IAS 7 on a piecemeal basis would not be appropriate. Consequently, the IASB agreed with the Interpretations Committee's recommendation not to proceed with previous proposals to amend IAS 7.

All IASB members agreed.

Issue recommended for inclusion within the Annual Improvements cycle for 2012–2014

IAS 7 Statement of Cash Flows—*Classification of expenditures in the statement of cash flows*

At the March 2013 meeting the Interpretations Committee recommended the IASB to delete the guidance in paragraph 16 of IAS 7 which makes explicit that “only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities”.

This amendment was proposed by the Interpretations Committee because it observed that some read the guidance in paragraph 16 of IAS 7 as giving precedence to the classification of cash flows consistently with the classification of the related or underlying item in the statement of financial position. The Interpretations Committee had observed that cash flows should be classified, instead, in accordance with the nature of the activity in a manner that is most appropriate to the business of the entity in accordance with paragraph 11 of IAS 7 and with the definitions of operating, investing and financing activities in paragraph 6 of IAS 7.

At the April 2013 meeting, the IASB discussed the proposal made by the Interpretations Committee to delete this guidance from paragraph 16 of IAS 7. During its deliberations, the IASB observed that this guidance had been introduced as part of the Annual Improvements project in 2009 to clarify the classification of expenditures for exploration and evaluation activities. IFRS 6 *Exploration for and Evaluation of Mineral Resources* permits such expenditures to be recognised as either an asset or as an expense and some entities classified such expenditures as cash flows from operating activities and others classified them as investing activities.

The IASB disagreed with the Interpretations Committee proposal to remove this guidance from paragraph 16 of IAS 7, because it observed that this guidance has potentially reduced diversity in practice in the classification of cash flows relating to exploration and evaluation activities.

During its deliberations on other aspects of IAS 7, the IASB had agreed with the Interpretations Committee’s observation that primary principle for the classification of cash flows is that cash flows should be classified in accordance with the nature of the activity in a manner that is most appropriate to the business of the entity on the basis of the guidance in paragraph 11 of IAS 7. Some IASB members observed that the guidance in paragraph 16 of IAS 7 which makes explicit that “only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities”, should be read as a constraint on the application of the primary principle that cash flows should be classified in accordance with the nature of the activity and not as a competing principle.

Thirteen IASB members agreed not to make the prosed change to paragraph 16 of IAS 7.

Next steps

The IASB directed the staff to inform the Interpretations Committee about the IASB’s decision at a future meeting.

Update on investor outreach—oral update only

An oral update was provided on current outreach with investors.

No decisions were made.

Work plan—as at 30 April 2013

<table>
<tr><th colspan="5">Major IFRSs</th></tr>
<tr><td colspan="5">Next major project milestone</td></tr>
<tr><th></th><th>2013 Q1</th><th>2013 Q2</th><th>2013 Q3</th><th>2013 Q4</th></tr>
<tr><td colspan="5">IFRS 9: Financial Instruments (replacement of IAS 39)</td></tr>
<tr><td>Classification and Measurement (Limited amendments)</td><td></td><td colspan="2">Redeliberations</td><td></td></tr>
<tr><td>Impairment
[comment period ends 5 July 2013]</td><td></td><td></td><td>Redeliberations</td><td></td></tr>
<tr><td>Hedge Accounting</td><td></td><td colspan="2">Target IFRS</td><td></td></tr>
<tr><td>Accounting for Macro Hedging</td><td></td><td></td><td>Target DP</td><td></td></tr>
<tr><td colspan="5"></td></tr>
<tr><th></th><th>2013 Q1</th><th>2013 Q2</th><th>2013 Q3</th><th>2013 Q4</th></tr>
<tr><td>Insurance Contracts</td><td></td><td>Target ED</td><td></td><td></td></tr>
<tr><td>Leases</td><td></td><td>Target ED</td><td></td><td></td></tr>
<tr><td colspan="5">Rate-regulated Activities</td></tr>
<tr><td>Interim IFRS
[comment period ends 4 September 2013]</td><td></td><td></td><td></td><td>Redeliberations</td></tr>
<tr><td>Comprehensive project</td><td></td><td></td><td></td><td>Target DP</td></tr>
</table>

[RFI responses due by 30 May 2013]				
Revenue Recognition			Target IFRS	

IFRS for SMEs: Comprehensive Review 2012–2014 – see **project page**

Implementation

Next major project milestone

Narrow-scope amendments	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Acquisition of an Interest in a Joint Operation (Proposed amendments to IFRS 11)				Target IFRS
Actuarial Assumptions: Discount Rate (Proposed amendments to IAS 19)			Target ED	
Annual Improvements 2010–2012			Target IFRS	
Annual Improvements 2011–2013				Target IFRS
Annual Improvements 2012–2014				Target ED
Bearer Plants (Proposed amendments to IAS 41)		Target ED		
Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)				Target IFRS
Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19) [comment period ends 25 July 2013]				Target IFRS
Disclosure Requirements about Assessment of Going Concern (Proposed amendments to IAS 1)			Target ED	
Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)				Target IFRS
Fair Value Measurement: Unit of Account (Proposed amendments to IFRS 13)		Target ED		
Novation of Derivatives and Continuation of Hedge Accounting (Proposed amendments to IAS 39 and IFRS 9)		Target IFRS		
Put Options Written on Non-controlling Interests (Proposed amendments to IAS 32)			Target ED	
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)				Target ED
Recoverable Amount Disclosures for Non-Financial Assets (Proposed amendments to IAS 36)		Target IFRS		
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)				Target IFRS
Separate Financial Statements (Equity Method) (Proposed amendments to IAS 27)			Target ED	

Interpretations	2013 Q1	2013 Q2	2013 Q3	2013 Q4

Levies Charged by Public Authorities on Entities that Operate in a Specific Market		Target Interpretation		
Post-implementation reviews	**2013 Q1**	**2013 Q2**	**2013 Q3**	**2013 Q4**
IFRS 8 *Operating Segments*		Publish report on Post-implementation Review		
IFRS 3 *Business Combinations*		Initiate review		
Conceptual Framework				
Next major project milestone				
	2013 Q1	**2013 Q2**	**2013 Q3**	**2013 Q4**
Conceptual Framework (chapters addressing elements of financial statements, measurement, reporting entity and presentation and disclosure)		Target DP		
Disclosures: Discussion Forum		Target Feedback Statement		
Research projects				
Research projects involve preliminary research to help the IASB evaluate whether to add a topic to its work plan. The IASB will begin research on the following topics in due course.				
Business combinations under common control				
Discount rates				
Emissions trading schemes				
Equity method of accounting				
Extractive activities				
Financial instruments with characteristics of equity				
Financial reporting in high inflationary economies				
Foreign currency translation				
Income taxes				
Intangible assets				
Liabilities—amendments to IAS 37				
Post-employment benefits (including pensions)				
Share-based payments				
Completed IFRSs				
Major projects	**Issued date**	**Effective date**		

Amendments to IAS 19 *Employee Benefits*	June 2011	1 January 2013	
IFRS 9 *Financial Instruments*	October 2010	1 January 2015	
IFRS 10 *Consolidated Financial Statements*	May 2011	1 January 2013	
IFRS 11 *Joint Arrangements*	May 2011	1 January 2013	
IFRS 12 *Disclosure of Interests in Other Entities*	May 2011	1 January 2013	
IFRS 13 *Fair Value Measurement*	May 2011	1 January 2013	
Narrow-scope amendments	**Issued date**	**Effective date**	

Annual Improvements 2009-2011
• **IFRS 1 *First-time Adoption of International Financial Reporting Standards***:
  ○ Repeated application of IFRS 1
  ○ Borrowing costs
• IAS 1 *Presentation of Financial Statements*—Clarification of the requirements for comparative information
• IAS 16 *Property, Plant and Equipment*—Classification of servicing equipment
• IAS 32 *Financial Instruments: Presentation*—Tax effect of distribution to holders of equity instruments
• IAS 34 *Interim Financial Reporting*—Interim financial reporting and segment information for total assets and liabilities
	May 2012	1 January 2013	

IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Government Loans	March 2012	1 January 2013	
***Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7)**	December 2011	1 January 2013	
IFRS 9 *Financial Instruments*—Mandatory effective date of IFRS 9 and transition disclosures	December 2011	1 January 2015	
***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11, and IFRS 12)**	June 2012	1 January 2013	
***Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)**	October 2012	1 January 2014	
IAS 32 *Financial Instruments: Presentation*—Offsetting Financial Assets and Financial Liabilities	December 2011	1 January 2014	
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	October 2011	1 January 2013	
Agenda consultation			
Next major project milestone			
	2013	**2014**	**2015**
Three-yearly public consultation [Feedback Statement published 18 December 2012] [Next consultation scheduled 2015]			Initiate second triennial public consultation

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