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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: Wednesday 20 February 2008, London

Project: ED Annual improvements process–Comment analysis

Subject: Minor issues (Agenda paper 4D)

BACKGROUND

- 1 The purpose of this agenda paper is to discuss the proposed changes that were largely supported by the respondents with either no or very minor editorial comments. The table in Appendix A lists the ED proposals, comments made by respondents, and the staff's assessment of whether changes are needed. When no comments were received, the staff has indicated that in the table.
- 2 As all of the proposed changes included in this paper are considered minor and a majority of the respondents agreed with them, the table in Appendix B sets out the staff's recommendation for any revised wording it thinks is necessary. These recommendations are shown as mark-up from the ED proposals. If the Board approves these proposed changes and that they are minor, the staff will provide any necessary re-drafting of the respective Basis of Conclusions in the ballot draft for voting.
- 3 As discussed in Agenda Paper 4B, the staff does not intend to discuss these issues at the Board meeting unless otherwise requested by Board members.

APPENDIX A - Summary of Annual Improvements and analysis of Standards affected

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
<p>Restructuring of IFRS 1 – Question 1 The proposal was to move some transitional provisions relating to particular IFRSs from the main body of IFRS 1 to appendices. The restructuring does not alter the technical content of IFRS 1, however, some transitional provisions have been removed as they are no longer relevant.</p>	<p>IFRS 1</p>	<ul style="list-style-type: none"> • Reference in paragraph 30 of IFRS 1 incorrectly refers to paragraph D2 and D4 of Appendix D. • In paragraph B5 the word ‘under’ should be eliminated from the sentence that states “however, if the entity designated a net position as a hedged item <i>under</i> in accordance with... 	<ul style="list-style-type: none"> • Agreed • Agreed 	<ul style="list-style-type: none"> • Appendix B.1 • Appendix B.1
<p>Dividends declared after the end of the reporting period – Question 8 The proposal was to amend IAS 10 to clarify why a dividend declared after the reporting period does not result in the recognition of a liability.</p>	<p>IAS 10</p>	<ul style="list-style-type: none"> • Respondents have suggested that the wording be amended to state ‘no <i>present</i> obligation exists’. 	<ul style="list-style-type: none"> • The reference to IAS 37 and ‘no present obligation’ was specifically deleted as some could read this to imply that a liability can be recognised on the basis of a 	<ul style="list-style-type: none"> • Proposed amendment unchanged

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
		<ul style="list-style-type: none"> Some respondents indicated a possible perceived inconsistency with constructive obligations. 	<p>constructive obligation.</p> <ul style="list-style-type: none"> The Board has specifically concluded that dividends declared after the reporting period, but before the financial statements are authorised for issue, does not give rise to a liability. This is stated in the BC. 	
<p>Recoverable amount – Question 9 The proposal was to amend IAS 16 to remove the perceived inconsistency between the definition of recoverable amount and the term ‘recoverable amount’ used in other IFRSs.</p>	<p>IAS 16</p>	<ul style="list-style-type: none"> The proposed amendment was largely supported but a few doubted its usefulness (redundant with IAS 36) 	<ul style="list-style-type: none"> Staff considers amendment appropriate 	<ul style="list-style-type: none"> Proposed amendment unchanged
<p>Cost of originating a loan – Question 13 The proposal was to amend IAS 18 to state that the transaction costs to be applied to the accounting for financial asset origination fees are those defined in IAS 39.</p>	<p>IAS 18</p>	<ul style="list-style-type: none"> IAS18, Appendix 14(a)(ii) and 14(a)(iii) also refer to ‘related direct cost’ and ‘related direct cost incurred’ and should be amended 	<ul style="list-style-type: none"> Agreed 	<ul style="list-style-type: none"> Appendix B.2

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
		same as 14(a)(i) to achieve consistency.		
<p>Plan administration costs – Question 15 The proposal was to amend the definition of return on plan assets in IAS 19 to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the measurement of the defined benefit obligation.</p>	IAS 19	<ul style="list-style-type: none"> • Clarify what cost of admin includes eg investment manager fees? • Change drafting to say that the costs should be recognised only to the extent they are not recognised elsewhere • Require disclosure of which approach used. • Clarify the treatment of taxes 	<ul style="list-style-type: none"> • Disagree – too detailed • Amendment already states this • Disagree • Disagree. This issue was rejected by the IFRIC in March 2007. 	<ul style="list-style-type: none"> • Proposed amendment unchanged
<p>Guidance on contingent liabilities – Question 17 The proposal was to remove from IAS 19, the reference to recognition of contingent liabilities.</p>	IAS 19	<ul style="list-style-type: none"> • None, all respondents agreed or made no comment. 		

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
<p>Consistency of terminology with other IFRSs – Question 18 The proposal was to amend IAS 20 to conform terminology used by IAS 20 to the equivalent defined or more widely used terms.</p>	IAS 20	<ul style="list-style-type: none"> Inconsistency between IAS 20.13 and IAS 20.14 (a). In Paragraph 13 the words ‘recognised outside profit and loss’ are used, whereas paragraph 14 (a) refers to ‘recognised directly in equity’ 	<ul style="list-style-type: none"> Agreed 	<ul style="list-style-type: none"> Appendix B.3
<p>Consistency of terminology with other IFRSs – Question 24 The proposal was to update the description of historical cost financial statements in paragraph 6 and to conform terminology in IAS 29 to the equivalent defined or more widely used terms.</p>	IAS 29	<ul style="list-style-type: none"> Paragraph 6 reads: “...of assets and liabilities held.” Proposal to re-word as “of assets held and liabilities incurred”. 	<ul style="list-style-type: none"> Agreed, however suggested wording was adjusted. 	<ul style="list-style-type: none"> Appendix B.4
<p>Earnings per share disclosure in interim financial reports – Question 26 The proposal was to amend IAS 34 to require the presentation of basic and diluted earnings per share only when the entity is within the scope of IAS 33.</p>	IAS 34	<ul style="list-style-type: none"> None, all respondents agreed or made no comment. 		
<p>Definition of a financial instrument classified as held for trading – Question 31 (a) The proposal was to amend IAS 39 to clarify the definition of a financial instrument classified as held for trading.</p>	IAS 39	<ul style="list-style-type: none"> None, all respondents agreed or made no comment. 		

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
<p>Reclassification into or out of the fair value through profit or loss – Question 31 (b) The proposal was to insert paragraph 50A to clarify the changes in circumstances that are not reclassifications into or out of the fair value through profit or loss category.</p>	<p>IAS 39</p>	<ul style="list-style-type: none"> An additional circumstance should be added for situations where loans become part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit making. 	<ul style="list-style-type: none"> The Board discussed this issue in Sep 2007 and confirmed that <i>“the wording of IAS 39 paragraph 50 that the classification of non-derivative financial instruments as held for trading, and thus accounted for at fair value through profit or loss, should be available only at initial recognition and not subsequently.”</i> Adopting this will conflict with the amended IAS 39.9(a)(ii). If the Board would like to revisit the issue, we would need to address additional questions, eg., how to account for the difference between 	<ul style="list-style-type: none"> Proposed amendment unchanged

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
		<ul style="list-style-type: none"> • An additional circumstance should be added for insurance companies that are allowed to re-designate into the fair value through profit and loss category assets when changing its accounting policies in accordance with IFRS4.45 • As fair value hedges, whether hedge accounting applies or not, the classification is fair value through profit 	<p>the carrying amount and fair values of instruments being classified into and out of the fair value through profit and loss category at the time of reclassification.</p> <ul style="list-style-type: none"> • Agreed • Agreed 	<ul style="list-style-type: none"> • Appendix B.5 • Appendix B.5

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
		and loss. Consequently rather than refer to hedge accounting generally, replace with “cash flow hedges or net investment hedges”		
<p>Designating and documenting hedges at the segment level – Question 32 The proposal was to remove the apparent conflict between paragraph 73 of IAS 39 and the requirements of IFRS 8.</p>	IAS 39	<ul style="list-style-type: none"> The majority of the respondents agreed or made no comment. One respondent noted that they did not see the conflict that resulted in the proposal being made. 	<ul style="list-style-type: none"> Staff considers amendment appropriate 	<ul style="list-style-type: none"> Proposed amendment unchanged
<p>Applicable effective interest rate on cessation of fair value hedge accounting – Question 33 The proposal was to clarify that in IAS 39 the effective interest rate calculated on cessation of fair value hedge accounting in accordance with paragraph 92 should be used to re-measure the hedged item when paragraph AG8 applies.</p>	IAS 39	<ul style="list-style-type: none"> Reference to paragraph 92 should be removed as it is not the only situation in which a revised effective interest rate is to be calculated. Entities most often recalculate the effective interest rate when the contract (outside default situation) stipulates that 	<ul style="list-style-type: none"> The respondent’s comment relates to AG 6, rather than relating to the proposed amendment. The staff therefore consider the proposed amendment appropriate. 	<ul style="list-style-type: none"> Proposed amendment unchanged

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
		a new market based interest rate is to be set (eg a LIBOR liability with a 6 monthly interest rate fixing).		
<p>Consistency of terminology with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors – Question 36</i> The proposal was to amend paragraph 31 of IAS 40 to ensure consistency with the text of IAS 8.</p>	IAS 40	<ul style="list-style-type: none"> In the first sentence of the amendment the term ‘reliable and more relevant’ is used where the last amendment only refers to ‘relevant’ while these amendments replace the term ‘appropriate’ in both cases. 	<ul style="list-style-type: none"> The comment would perpetuate an inconsistency with IAS 8, which does not require the new policy to produce more reliable information only that it be reliable and more relevant. 	<ul style="list-style-type: none"> Proposed amendment unchanged
<p>Investment Property held under a lease - Question 37 The proposal was to amend IAS 40 to make it clear how an investment property under lease should be recorded.</p>	IAS 40	<ul style="list-style-type: none"> Redraft the first sentence to clarify that the carrying value is being determined for investment property under the fair value model. 	<ul style="list-style-type: none"> Agreed 	<ul style="list-style-type: none"> Appendix B.6

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
<p>Discount Rate for fair value calculations – Question 39</p> <p>The proposal was to remove a requirement that the discount rate used to determine fair value should be a pre-tax rate. The proposed amendment requires a current market-determined rate to be used but permits this to be a pre-tax or post-tax rate according to the valuation methodology used to determine fair value.</p>	<p>IAS 41</p>	<ul style="list-style-type: none"> • A few respondents think the proposal is inconsistent with IAS 36, which requires pre-tax discount rates to be used when determining value in use. • A few respondents think the comparability of financial statements is reduced if some entities use pre-tax discount rates and other use post-tax rates. 	<ul style="list-style-type: none"> • The comparison to value in use in IAS 36 is not relevant because it is a different measurement attribute from fair value and has different measurement guidance. • Comparability will not be affected because the valuation methodologies applied will dictate which rate is used. The resulting values will be comparable (ie they will yield the same result). 	<ul style="list-style-type: none"> • Proposed amendment unchanged

Proposed amendment	Standard affected	Comments	Staff Assessment	Recommendation for revised wording
<p>Examples of agricultural produce and products – Question 41</p> <p>The proposal was to revise the examples of agricultural produce and products that are the results of processing after harvest in IAS 41.</p>	<p>IAS 41</p>	<ul style="list-style-type: none"> • None, all respondents agreed or made no comment. 		

APPENDIX B

Appendix B has been removed from the observer notes.
