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**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: **March 2008, London**
Project: **IFRIC ISSUES WITH THE IFRIC (Agenda Paper 6)**

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 7-2	Classification of expenditure on unrecognised assets (request received November 2007)	IAS 7	The issue is how expenditure on unrecognised assets should be classified in the cash flow statement. The issue arose because some entities classify such cash flows as investing activities. Others believe that they must always be classified as operating activities.	The IFRIC discussed the issue at its January 2008 meeting and tentatively decided not to add the issue to its agenda. The IFRIC will consider any comments received in response to its tentative agenda decision at its March 2008 meeting.
IAS 18-3	Real Estate Sales	IAS 18	The issue is when revenue should be recognised for real estate sales in which agreements for sale are reached before construction is complete. Should the sale agreements be treated as construction contracts (with revenue being recognised on a percentage of completion basis) or as agreements for the sale of goods (with revenue recognised in accordance with IAS 18)? If the latter, how should IAS 18 be applied?	A Draft Interpretation was approved by IFRIC in its May 2007 meeting. The Board did not object to its publication and IFRIC D21 was published in July 2007. In January 2008, the IFRIC discussed the comments received and asked the staff to perform some further analysis. The IFRIC will continue its redeliberations in its March 2008 meeting.
IAS 18-7	Customer Contributions	IAS 18	The issue is how entities should account for contributions of property, plant and equipment (or cash that must be used to construct or acquire property, plant and equipment) that must then be used to provide access to a supply of goods or services to customers.	The IFRIC decided to add this issue to its agenda in May 2007. A Draft Interpretation was approved by IFRIC in its November 2007 meeting. The Board did not object to its publication and IFRIC D24 was published in January 2008.

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 19-14	Settlements as part of the terms of the plan (request received November 2007)	IAS 19	The issue is whether, if a pension plan gives employees the choice between a lump sum payment or an annuity, the payment of the lump sum constitutes a settlement.	In January 2008, the IFRIC was unable to decide whether to add this issue to its agenda and asked the staff to undertake further research. In March 2008 the staff will present a paper including the results of its research.
IAS 21-1	The hedge of a net investment in a foreign operation	IAS 21	The principal issues are: 1) between which currencies the risk in a net investment arises; and 2) in which entity within a group the instrument hedging a net investment may be held.	A Draft Interpretation was approved by IFRIC in its May 2007 meeting, subject to drafting changes. The Board did not object to publication and IFRIC D22 was issued in July 2007. The staff presented a comment letter analysis to the IFRIC in its January 2008 meeting. The IFRIC confirmed its previous conclusions but asked the staff to develop a comprehensive example to illustrate their application. At the March 2008 meeting, the IFRIC will consider the example as well as any outstanding concerns raised by respondents.
IAS 27-5	Accounting for non-cash asset distributions to owners	IAS 27	The issue is how an entity should account for non-cash asset distributions to its owners acting in their capacity as owners.	At its May 2007 meeting, the IFRIC agreed to take the issue on to its agenda. A Draft Interpretation was approved by IFRIC in its November 2007 meeting. The Board did not object to its publication and IFRIC D23 was published in January 2008.

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 39-2	Derecognition	IAS 39	The principal issues are: 1) How the derecognition tests should be applied to groups of financial assets. In particular, when a group of financial assets should be considered similar; and 2) When the pass through tests in IAS 39 should be applied to a transfer of a financial asset.	At its July 2006 meeting, the IFRIC agreed to refer these issues to the Board for clarification. At the September 2006 Board meeting, the Board discussed these issues. The Board's observations were communicated to the IFRIC at its November 2006 meeting. The IFRIC agreed not to take the issue on to the agenda. A tentative decision was published in the November 2006 IFRIC *Update*. At its January 2007 meeting, the IFRIC decided to add a limited scope project on derecognition to its agenda. The staff will prepare papers for discussion at a future IFRIC meeting.
IAS 39-17	Application of the Effective Interest rate method (issue received in February 2008)	IAS 39	The issue is how an entity should apply the effective interest rate method to a financial debt instrument that has payments (principle and interest) linked to changes in an inflation index.	The staff will present a paper considering whether the issue should be added to the IFRIC agenda at a future meeting.

Reference number	Topic	Relevant IFRS	Brief description	Progress
IFRS 2-10	Group cash-settled share-based payment transactions	IFRS 2	The issue is how to account for the following cash-settled share-based arrangements in the financial statements of a subsidiary that receives services from its employees: • Arrangement 1 – The employees of the subsidiary will be reimbursed by cash payments that are based on the price of the equity instruments of the subsidiary. • Arrangement 2 – The employees of the subsidiary will be reimbursed by cash payments that are based on the price of the equity instruments of the parent of the subsidiary. Under both arrangements, the parent (not the subsidiary) has the obligation to provide the employees of the subsidiary with the cash payments needed.	At its July 2007 meeting, the IFRIC agreed that both arrangements should be within the scope of IFRS 2. At its September 2007 meeting the IFRIC considered a text of a tentative agenda decision as well as a draft of potential amendments to IFRS 2 and consequential amendments to IFRIC 11. At its October 2007 meeting, the Board decided to propose amendments to IFRS 2 and IFRIC 11. The Board asked the staff to prepare an exposure draft. The exposure draft was issued in December 2007 with comments requested in March 2008.