



**International  
Accounting Standards  
Board**

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*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: November 2008, London**  
**Project: IFRIC Issues Being Considered by the IFRIC (Agenda Paper 8)**

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**IFRIC Issues being considered by the IFRIC**

<b>Reference number</b>	<b>Topic</b>	<b>Relevant IFRS</b>	<b>Brief description</b>	<b>Progress</b>
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.	<p>The IFRIC decided to add this issue to its agenda in May 2007.</p> <p>A Draft Interpretation was approved by the IFRIC in its November 2007 meeting. The Board did not object to its publication and IFRIC D24 was published in January 2008 with comments due 25 April 2008.</p> <p>The IFRIC considered the analysis of comment letters and began its redeliberations at its meeting in July 2008. The staff expects the IFRIC will conclude its redeliberations at its meeting in November 2008.</p>
IAS 27-5	Distributions of non-cash assets to owners	IAS 27	The issue is how an entity should account for distributions of non-cash asset to its owners acting in their capacity as owners.	<p>The IFRIC decided to add the issue to its agenda at the May 2007 meeting.</p> <p>A Draft Interpretation was approved by the IFRIC in its November 2007 meeting. The Board did not object to its publication and IFRIC D23 was published in January 2008 with comments due 25 April 2008.</p> <p>The IFRIC considered the analysis of comment letters and began its redeliberations at its meeting in July 2008. The IFRIC approved the final Interpretation at its meeting in September 2008 and directed the staff to present it to the Board for ratification. The staff expects to do so at the Board's meeting in November 2008</p>

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 38-6	Compliance costs for REACH (request received May 2008)	IAS 38	The issue is how costs incurred to comply with the requirements of the European Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) should be treated.	<p>At its July 2008 meeting the IFRIC tentatively concluded that it should add the issue to its agenda. In addition, the IFRIC agreed with the staff's proposal that it would be helpful to work with other interpretive bodies whose entities might be affected by the Regulation or similar requirements.</p> <p>The staff has confirmed that other interpretive bodies are interested in participating in or monitoring the IFRIC's work on this issue. The staff will present its recommendations on whether the IFRIC should confirm its tentative decision to add this issue to its agenda and on the proposed scope of the project at the November 2008 meeting.</p>
IFRS 3R-1	Customer related intangible assets (request received May 2008)	IFRS 3R	The issue is how to distinguish contractual from non-contractual customer relationships for the purpose of recognising the identifiable assets of the acquiree separately from goodwill.	<p>The staff conducted preliminary research with IFRIC members and members of the valuation community to determine the views held by constituents and the extent of diversity in practice. The IFRIC added the issue to its agenda at the September 2008 meeting, but noted that the outcome of this project would not necessarily be an Interpretation.</p> <p>The staff will present its recommendations on the possible scope of the project at the November 2008 meeting.</p>

## Amendments proposed by the IASB, Comments being considered by the IFRIC

Reference number	Topic	Relevant IFRS	Brief description	Progress
IFRS 2-10	Group cash-settled share-based payment transactions	IFRS 2	<p>The issue is how to account for cash-settled share-based arrangements in the financial statements of a subsidiary that receives services from its employees when the parent (not the subsidiary) has the obligation to provide the employees of the subsidiary with the cash payments needed and:</p> <ul style="list-style-type: none"> <li>• the employees will receive cash payments based on the price of the equity instruments of the subsidiary, or</li> <li>• the employees will receive cash payments based on the price of the equity instruments of the parent.</li> </ul>	<p>At its July 2007 meeting, the IFRIC agreed that both arrangements should be within the scope of IFRS 2.</p> <p>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.</p> <p>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.</p> <p>The exposure draft was issued in December 2007 with comments requested in March 2008.</p> <p>The IFRIC considered staff proposals on recommendations it should make to the Board to revise IFRS 2 at its meeting in July 2008. The Board began its discussion of those recommendations at its meeting in October 2008.</p>

### IFRIC Issues being considered for addition to the agenda

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 17-8	Recognition of lease expense under an operating lease (request received April 2008)	IAS 17	The issue is on how a lessee should determine an appropriate pattern of recognition of expense for an operating lease with non-level payments.	At its July 2008 meeting the IFRIC tentatively concluded that it should not add the issue to its agenda.  The IFRIC considered comments received and confirmed its tentative agenda decision at its September 2008 meeting.
IAS 18-9 IAS 39-18	Accounting for trailing commissions (request received April 2008)	IAS 18/ IAS 39	The issue is when to recognise revenue for commissions received by financial advisors after the original services are provided.	At its July 2008 meeting the IFRIC tentatively concluded that it should not add the issue to its agenda.  The IFRIC considered comments received and confirmed its tentative agenda decision at its September 2008 meeting.
IAS 28-1	Potential effect of IFRS 3 and IAS 27 (as revised in 2008) on equity method accounting (issue identified from EITF consensus September 2008)	IAS 28	The issue is whether the amendments to IFRS 3 and IAS 27 in 2008 affect accounting for associates, in particular: <ul style="list-style-type: none"> <li>• whether the cost basis of an investment in a new acquisition should include transaction costs</li> <li>• how to account for any subsequent purchases and sales of ownership interests, and</li> <li>• whether the investor must separately assess its underlying share of the investee's indefinite-lived intangible assets for impairment.</li> </ul>	The staff will present a paper recommending whether the issue should be added to the IFRIC agenda at the November 2008 meeting.

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 32-6	Transaction costs to be deducted from equity (request received May 2008)	IAS 32	The issue is determining the extent of transaction costs to be accounted for as a deduction from equity in accordance with IAS 32 paragraph 37. A second related issue is how the requirements of IAS 32.38 to allocate transaction costs that relate jointly to more than one transaction should be applied.	At its July 2008 meeting the IFRIC tentatively concluded that it should not add the issue to its agenda. The IFRIC considered comments received and confirmed its tentative agenda decision at its September 2008 meeting.
IAS 32R-1	Classification of puttable and perpetual instruments (request received September 2008)	IAS 32	The issue is whether an entity's puttable instruments that are subordinate to all other classes of instruments can be classified as equity when the entity has perpetual instruments classified as equity	The staff will present a paper recommending whether the issue should be added to the IFRIC agenda at the November 2008 meeting.

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 37-3	Regulatory liabilities in certain regulated industries (request received January 2008)	IAS 37 and IAS 18	The issue is whether regulated entities could or should recognise a liability (or asset) as a result of price regulation by regulatory bodies or governments.	<p>When the request was received, the staff was aware that another group was intending to request an Interpretation with the same or similar scope and awaited receipt of that request. In the interim, staff undertook some preliminary research and developed a project plan for making a recommendation to IFRIC on an agenda decision.</p> <p>The project plan was presented and approved at the May 2008 IFRIC meeting. The staff has been researching the various forms of regulation that might be affected by any Interpretation. In addition, the staff has contacted users of regulated entity financial statements to obtain input on information they find useful.</p> <p>The staff presented a background paper for discussion at the September 2008 meeting to determine what if any additional the IFRIC required to be in a position to make a decision on whether to add the issue to its agenda. The staff will make a recommendation on whether the IFRIC should add the issue to its agenda at the November 2008 meeting.</p>

Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 39-2	Derecognition	IAS 39	<p>The principal issues are:</p> <ol style="list-style-type: none"> <li>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</li> <li>2) When the pass through tests in IAS 39 should be applied to a transfer of a financial asset.</li> </ol>	<p>At its July 2006 meeting, the IFRIC decided to refer these issues to the Board for clarification.</p> <p>At the September 2006 Board meeting, the Board discussed these issues.</p> <p>The Board's observations were communicated to the IFRIC at its November 2006 meeting. The IFRIC decided not to take the issue on to the agenda. A tentative decision was published in the November 2006 <i>IFRIC Update</i>.</p> <p>At its January 2007 meeting, the IFRIC decided to add a limited scope project on derecognition to its agenda. The project has been inactive since that time awaiting the allocation of staff resources.</p> <p>At its November 2008 meeting the IFRIC will consider a staff recommendation that the issue be removed from the agenda given the acceleration of the Board's project on this topic.</p>



Reference number	Topic	Relevant IFRS	Brief description	Progress
IAS 39-17	Application of the effective interest rate method (request received 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 (principal and interest) linked to changes in an inflation index.	<p>At its July 2008 meeting the IFRIC considered comments received on its tentative decision published in <i>IFRIC Update</i> in May 2008.</p> <p>In view of the existing application guidance in IAS 39, the IFRIC confirmed its decision not to add the issue to its agenda. However, the IFRIC referred the issue to the Board with a recommendation that the Board should consider clarifying or expanding that application guidance.</p> <p>At its meeting in October 2008 the Board agreed to include a clarification of the relevant paragraphs of IAS 39 in its next Annual Improvements project.</p>
IAS 39-19	Valuation of restricted securities (request received June 2008)	IAS 39	The issue is whether a discount must be applied to the quoted market price when establishing the fair value of a security quoted in an active market when there is a contractual, governmental or other legally enforceable restriction that prevents the sale of the security for a certain period.	<p>At its September 2008 meeting the IFRIC tentatively concluded that it should not add the issue to its agenda.</p> <p>The IFRIC will consider any comments received on its tentative decision at its November 2008 meeting.</p>

Reference number	Topic	Relevant IFRS	Brief description	Progress
IFRIC 14-1	Treatment of employer's prepaid contribution reserve (request received July 2008)	IFRIC 14/ IAS 19	The issue is how to apply the requirements of paragraph 17 of IFRIC 14 to 'assume <u>no change to the benefits</u> to be provided by a plan in the future until the plan is amended and [to] assume <u>a stable workforce</u> in the future' when the plan assets comprise premium prepayments into the employer's contribution reserve of a pension plan.	At its September 2008 meeting the IFRIC tentatively concluded that it should not add the issue to its agenda.  The IFRIC will consider any comments received on its tentative decision at its November 2008 meeting.