



**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: March 2009, London**  
**Project: IFRIC Issues Being Considered by the IFRIC (Agenda Paper 8)**

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### IFRIC Issues being considered by the IFRIC

Reference number	Topic	Brief description	Progress
IAS 18-7	Customer contributions	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 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 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 IFRIC concluded its redeliberations at its meeting in November 2008 and the Board approved the final Interpretation at its meeting in January 2009.</p>
IAS 27-5	Distributions of non-cash assets to owners	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 the Board approved the final Interpretation at its meeting in November 2008.</p>

Reference number	Topic	Brief description	Progress
IAS 38-6	Compliance costs for REACH (request received May 2008)	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 confirmed that other interpretive bodies are interested in participating in or monitoring the IFRIC's work on this issue. The staff presented recommendations on whether the IFRIC should confirm its tentative decision to add this issue to its agenda at the November 2008 meeting. The IFRIC requested more research on the rights a participant obtains. The staff will present the results of its research and a final recommendation on an agenda decision at the March 2009 IFRIC meeting.</p>
IFRS 3R-1	Customer related intangible assets (request received May 2008)	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 presented its recommendations on the possible direction of the project at the November 2008 meeting. The IFRIC concluded that the issue could best be resolved by referring it to the Board with a recommendation that the standard be amended. At its December 2008 meeting the Board decided to include the issue in the 2009 Annual Improvements Project.</p>

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

Reference number	Topic	Brief description	Progress
IAS 7-3	Determination of cash equivalents (request received December 2008)	The issue is whether units in money market and other similar funds can be considered to be cash equivalents.	At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.
IAS 12-7	Classification of tonnage taxes (request received November 2008)	The issue is whether tonnage taxes are income taxes within the scope of IAS 12.	At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.
IAS 16-3	Disclosure of idle assets and postponed construction in progress (request received February 2009)	The issue is whether IFRS require sufficient disclosure of the effects of decisions to postpone construction projects or idle PP&E (especially that depreciated using the units of production method) in the current economic environment.	At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.

Reference number	Topic	Brief description	Progress
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)	<p>The issue is whether the amendments to IFRS 3 and IAS 27 in 2008 affect accounting for associates, in particular:</p> <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>	<p>At the November 2008 meeting the IFRIC tentatively decided not to add two of the issues to its agenda.</p> <p>At the March 2009 meeting the IFRIC will consider comments received and decide whether to confirm that decision. In addition, at the March 2009 meeting the staff will present recommendations on whether the other issues should be added to the IFRIC's agenda.</p>
IAS 28-2	Venture capital consolidations and partial use of fair value through profit or loss (request received November 2008)	<p>The issue is whether a consolidated group can use two measurement bases for investments in associates held through different subsidiaries. One of the subsidiaries accounts for its investment at fair value through profit or loss in accordance with one of the scope exceptions in IAS 28.</p>	<p>At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.</p>

Reference number	Topic	Brief description	Progress
IAS 32R-1	Classification of puttable and perpetual instruments (request received September 2008)	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	At the November 2008 meeting the IFRIC tentatively decided not to add the issue to its agenda. At the March 2009 meeting the IFRIC will consider comments received and decide whether to confirm that decision.
IAS 37-3	Regulatory liabilities in certain regulated industries (request received January 2008)	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>The project plan was presented and approved at the May 2008 IFRIC meeting. The staff researched the various forms of regulation that might be affected by any Interpretation. In addition, the staff 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.</p> <p>At the November 2008 meeting the IFRIC tentatively decided not to add the issue to its agenda. At the March 2009 meeting the IFRIC will consider comments received and decide whether to confirm that decision.</p> <p>At its December 2008 meeting the Board decided to add a project on accounting for rate regulated activities to its active agenda.</p>
IAS 38-7	Accounting for sales costs in real estate development projects (requests received November 2008 and January 2009)	The issue is what if any selling costs relating to a real estate development project accounted for in accordance with IAS 18 may be capitalised.	At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.

Reference number	Topic	Brief description	Progress
IAS 39-2	Derecognition	<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 IFRIC <i>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 tentatively decided to remove the issue from the agenda given the acceleration of the Board's project on this topic. At the March 2009 meeting the IFRIC will consider comments received and decide whether to confirm that decision.</p>
IAS 39-19	Valuation of restricted securities (request received June 2008)	<p>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>	<p>At its September 2008 meeting the IFRIC tentatively concluded that it should not add the issue to its agenda.</p> <p>At its November 2008 meeting the IFRIC considered comments received and confirmed its tentative decision.</p>

Reference number	Topic	Brief description	Progress
IAS 39-20	Fair value measurements of financial assets in inactive markets: determining the discount rate (request received October 2008)	The submission contained a proposal on how a discount rate should be determined when fair value is established using a valuation technique. The submission noted that both the credit spread and liquidity spread components of the discount rate might not be observable in inactive markets and proposed some approaches to estimating them.	<p>The IFRIC considered the proposals in the submission at its meeting in November 2008 and noted that the approach proposed in the submission suggested that certain factors should be adjusted away from a market participant's view. This would be inconsistent with both the objective of fair value measurements and the existing guidance in IAS 39.</p> <p>The IFRIC also noted that any guidance it could provide would be in the nature of implementation guidance rather than an interpretation. Therefore, the IFRIC tentatively decided not to add the issue to its agenda.</p> <p>At the March 2009 meeting the IFRIC will consider comments received and decide whether to confirm that decision.</p>
IAS 39-21	Participation rights and calculation of the effective interest rate (request received November 2008)	The issue is how to determine the effective interest rate when the instrument contains a participation feature that can alter its principal amount.	At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.
IAS 39-22	Classification of failed loan syndications (request received February 2009)	The issue is whether loans retained as a result of failed syndications should be classified as at fair value through profit or loss or as loans and receivables.	At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.
IAS 41-2	Discount rate assumptions used in fair value calculations (request received June 2008)	The issue is determining the interest rate when fair value must be determined based on estimated future cash flows, especially on initial recognition of newly planted crops.	At the March 2009 meeting the staff will present recommendations on whether the issue should be added to the agenda.



Reference number	Topic	Brief description	Progress
IFRIC 14-1	Treatment of employer's prepaid contribution reserve (request received July 2008)	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.	<p>At its September 2008 meeting the IFRIC tentatively concluded that it should not add the issue to its agenda.</p> <p>At its November 2008 meeting the IFRIC considered the comments received and confirmed its tentative decision.</p> <p>However, as a result of the comments received the IFRIC identified other requirements in IFRIC 14 that could cause difficulties. The IFRIC added a project to its agenda to propose amendments to the wording of paragraph 22 of IFRIC 14.</p> <p>At the March 2009 meeting the staff will propose that the IFRIC remove this project from its agenda as the Board will shortly issue an Exposure Draft proposing the amendments the IFRIC was considering.</p>