

Introduction

1. This paper has been prepared by the staff involved with the work of the IFRS Interpretations Committee. It is intended to provide an overview of the Committee's activity over the last three and a half years, ie from January 2008 to May 2011. Over this period the Committee took on an additional role of assisting the IASB with its Annual Improvements process.
2. If the Committee think that regular reporting of the Committee's activity would be helpful, we propose to present a review of statistics on the Committee's activity twice a year. We are seeking comments and suggestions from the Committee to enhance the reporting.

Overview of the Interpretations Committee's activity

3. Since 2008, we note activity in the two following main roles for the Interpretations Committee:
 - (a) interpretations and implementation activities; and
 - (b) work performed on behalf of the Board.
4. Interpretations and implementation activities comprise issuing Interpretations as well as publishing decisions not to address other issues. Work performed on behalf of the Board consists of initiating discussions on, and drafting of, Board amendments, either on a stand-alone basis or as annual improvements to IFRSs.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRS Interpretations Committee or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*.

Interpretations are published only after the IFRS Interpretations Committee and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

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5. Since January 2010, the Committee has performed an additional role in respect of annual improvements on behalf of the Board. The Committee considers requests for improvements and makes appropriate recommendations to the Board for proposed amendments. It also reviews the comment letters received and makes recommendations to the Board on the finalisation of the proposed amendments.

Activity Summary

6. The following table shows the number of issues considered in connection with the main areas in which the Interpretations Committee has been involved since 2008, ie interpretations and implementation activities and work on behalf of the Board:

	Total 2008	Total 2009	Total 2010	2011 (Jan to May)	See para. 10
Interpretation (final or draft)	4	2	1	1	(a)
No action (AD ¹)	14	28	20	3	
Interpretations and implementation activities	18	30	21	4	
AIP ²	1	2	22	4	(b)
Non-AIP ³	0	0	13	4	
Stand-alone project ⁴	2	1	3	0	(c)
On behalf of the Board	3	3	38	8	
Total issues	21	33	59	12	

Key:

- ¹ AD stands for Agenda Decision
² AIP stands for Annual Improvements Project
³ Non-AIP designates issues that were submitted as AIP issues, but the Committee recommended that the Board should not address the matters through the annual improvements process.
⁴ Stand-alone projects are proposed amendments to IFRSs that do not meet the criteria for inclusion within AIP and that are addressed by the Committee on behalf of the Board.

7. While considering the table above, please note that the activity in year 2011 represents issues discussed at only three meetings.

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Detailed qualitative information on issues

8. Additional details on the content of the main issues over the period considered are as follows:

(a) Interpretations:

Since 2008, five Interpretations have been published:

- (i) IFRIC 15 *Agreements for the Construction of Real Estate*;
- (ii) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*;
- (iii) IFRIC 17 *Distributions of Non-cash Assets to Owners*;
- (iv) IFRIC 18 *Transfers of Assets from Customers*; and
- (v) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.

The Draft Interpretation *Stripping Costs in the Production Phase of a Surface Mine* is currently in its final stage.

(b) Annual Improvements Project:

In January 2010, the Interpretations Committee began an expanded role in the Annual Improvements process. In this expanded role all proposals received by the IASB and by the Interpretations Committee are considered first by the Committee. The Committee makes recommendations to the Board on which items should be addressed through Annual Improvements, and if so, how. The Committee now also reviews all comment letters received on Annual Improvements Exposure Drafts and makes recommendations to the Board on how these issues should be finalised.

During 2010 two cycles of improvements were being discussed:

- (i) The 2008-2010 cycle was in its redeliberation phase after the comment period ended in late November 2009. *Improvements to IFRSs* for that cycle was published in May 2010.
- (ii) The 2009-2011 cycle was in a phase of identification of issues and first discussions. The *Improvements to IFRSs* exposure draft (ED) for that cycle was deferred from last

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August to allow constituents space to respond to EDs on the Board's major projects. The ED was published on 22 June 2011 with a comment period ending on 21 October 2011.

(c) **Stand-alone projects:**

(i) 2008:

- *Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)* issued in June 2009; and
- *Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)* issued in November 2009.

(ii) 2009:

- *Classification of Rights Issues (Amendment to IAS 32)* issued in October 2009.

(iii) 2010:

- *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)* issued in December 2010.

9. In addition, to complete the table, the following issues are in progress as at May 2011, either as issues taken onto the agenda or because the Interpretations Committee asked the staff to perform further work to help decide whether the issue should be added to the Committee's agenda:

(a) On the agenda:

- (i) Contingent prices of property, plant and equipment and intangible assets; and
- (ii) Put options written over non-controlling interests (this has now been referred to the Board to consider the Committee's recommendation for an amendment to IAS 32);

(b) Work in progress:

- (i) IFRS 2 - review of requests received by the Committee;
- (ii) IFRS 2 – vesting/non-vesting conditions;
- (iii) IAS 37/IFRIC 6:-use of IFRIC 6 by analogy; and

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- (iv) Meaning of continuous transfer of control in real estate transactions.

Analysis of the activity

High increase in overall activity

10. The table presented in paragraph 5 above shows that the number of issues being considered by the Interpretations Committee has increased year on year with a ratio of 3 issues in 2010 for every 1 issue in 2008. We analyse below that increased activity.

Involvement in the Annual Improvements process

11. The table appropriately reflects the involvement of the Interpretations Committee in the Annual Improvements process from January 2010.
12. During 2010, 38 issues were considered by the Interpretations Committee and assessed against the criteria for inclusion within Annual Improvements. Of that number, 3 issues were considered to be stand-alone projects. That figure is to be compared to the 3 issues considered on behalf of the Board for Annual Improvements in the two previous years of 2008 and 2009.
13. The table below provides a breakdown of issues considered for Annual Improvements by cycle:

	Jan 2010 to Nov 2010	Jan 2011 to May 2011
2009-2011 cycle - items considered and accepted for AIP	6	0
2010-2012 cycle - items considered and accepted for AIP (Committee level)	4	4
2008-2010 cycle - Redeliberations - issues confirmed for AIP	12	0
Total issues considered for inclusion in AIP	22	4
2009-2011 cycle - items considered and rejected for AIP	5	0
2010-2012 cycle - items considered and rejected for AIP (Committee level)	4	4
2008-2010 cycle - Redeliberations - issues rejected for AIP	4	0
Total issues rejected (non-AIP)	13	4
<i>Total AIP issues considered, including non AIP</i>	35	8

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14. In 2010, the Interpretations Committee was involved in two cycles for Annual Improvements:
- (a) the redeliberation phase of the 2008-2010 cycle with *Improvements to IFRSs* issued in May 2010; and
 - (b) identification of and first discussions on issues for the 2009-2011 cycle.
15. We observe that the delay of the publication of the exposure draft for the 2009-2011 cycle of *Improvements to IFRSs* means that redeliberations of the 7 issues that it contains will take place only late in Q1 2012, after the end of the comment period scheduled for 21 October 2011.

Agenda decisions

16. The table in paragraph 5 shows that the number of agenda decisions reached a peak in 2009 with 28 issues rejected out of a total of 33 issues considered. That number decreased during 2010. Of the 28 issues rejected through agenda decisions in 2009, 2 issues were referred to the Board for consideration through the annual improvements process.
17. A table showing a breakdown of the agenda decisions by reason for the decision is presented in Appendix A to this paper. For ease of reference, agenda criteria are reproduced in Appendix B to this paper.

Questions for the Committee**Questions for the Committee**

Does the Committee want to receive a summary of activity statistics on a regular basis? If so, how frequently?

Do Committee members have suggestions on changes to the form and content of the activity statistics presented?

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Appendix A**

Appendix A—breakdown of agenda decisions considered by the Committee

1. The table below is a breakdown of agenda decisions by nature of the main agenda criterion that lead to the rejection decision:

	Total 2008	Total 2009	Total 2010	Total 2011 (Jan to May)
No significant diversity in practice - criteria (a) and (b)	5	6	1	0
Current guidance is sufficient - criterion (c)	2	6	6	1
Application guidance, not in the scope of IC activities - criterion (d)	2	7	4	0
Absence of consensus on a timely basis - criterion (e)	0	0	2	0
Board project - criterion (f)	5	8	6	2
PIR ¹ - criterion (f)	0	1	1	0
No action	14	28	20	3
AIP ² - criterion (f)	1	2	1	0
Total issues	15	30	21	3

Key:

- ¹ PIR – criterion (f) is an issue that was not taken onto the agenda but referred to the Board for consideration in a future Post-Implementation Review of the IFRS concerned.
- ² AIP – criterion (f) is an issue that was not taken onto the Committee’s agenda but referred to the Board for inclusion in the Annual Improvements Project. Since 2010, such items have been assessed by the Committee itself for inclusion in Annual Improvements.
2. Agenda criteria to help the Committee decide if an issue should be taken on the agenda are reproduced in Appendix B to this paper.

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Appendix B

Appendix B—Interpretations Committee agenda criteria

1. Below paragraph 24 of the Due Process Handbook for the IFRIC (January 2007) is reproduced:

24 The IFRIC assesses proposed agenda items against the following criteria. An issue does not have to satisfy all the criteria to qualify for the agenda.

- (a) The issue is widespread and has practical relevance.
- (b) The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice). The IFRIC will not add an item to its agenda if IFRSs are clear, with the result that divergent interpretations are not expected in practice.
- (c) Financial reporting would be improved through elimination of the diverse reporting methods.
- (d) The issue can be resolved efficiently within the confines of existing IFRSs and the *Framework*, and the demands of the interpretation process. The issue should be sufficiently narrow in scope to be capable of interpretation, but not so narrow that it is not cost-effective for the IFRIC and its constituents to undertake the due process associated with an Interpretation.
- (e) It is probable that the IFRIC will be able to reach a consensus on the issue on a timely basis.
- (f) If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities. The IFRIC will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the IFRIC requires to complete its due process.