
Project	IASB's Future Agenda
Topic	Break-out session

Introduction

1. The IASB will issue an agenda consultation document in Q3 2011, seeking input on its future agenda. This document will mention several possible projects, some of which are already on the agenda but are not active. As a part of this process, we are seeking input from CMAC and GPF on projects to be added to the IASB's agenda.
2. In preparation for this session, CMAC and GPF completed a survey providing their views on importance of the IASB addressing each of the projects on the preliminary list of possible candidates. As of 8 June 2011, we had received eight responses from GPF members and seven from CMAC.
3. Based on the responses to the survey, we selected six projects to focus on in discussions during the session. In selecting the projects for discussion, we aimed to identify those where preparers and users expressed different views (within the sample of responses available), possibly creating a debate during group discussions.
4. Not all the highest ranked projects were selected; for example, many members supported having projects on financial statement presentation and discount rates on the agenda. Given this widespread agreement, discussing these projects during the session might not have resulted in much debate about whether the project should be on the agenda or not. In addition, projects that might require specialist knowledge were not included (eg extractive activities).

This paper has been prepared for discussion at a public meeting of the Capital Markets Advisory Council and Global Preparers Forum of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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5. One of the six projects selected to be discussed during the session is currently on the agenda. This is post-employment benefits (including pensions).
6. The remaining five projects are from the list of those that have been brought to the IASB's attention as being:
 - an area of significant missing guidance;
 - a topic where the current standard is considered by some to be in need of revision; or
 - a topic where the current standard is considered by some to have operational difficulties.
7. These five projects are:
 - (a) equity method of accounting
 - (b) income taxes
 - (c) impairment of non-financial assets
 - (d) intangible assets
 - (e) interim reporting.
8. Brief descriptions of issues identified for these projects are included in the Appendix.

Break-out session

9. For the break-out session, the members will be split into three groups, each including both users and preparers. Each of the groups will have at least one Board member (the IASB's Chairman and vice-Chairman designate will be among the Board members participating) and one staff member at hand to help to answer queries. A copy of the IFRS Bound Volume will also be provided.
10. Each of the groups will discuss two projects from the list of six above, reporting back to the whole group their conclusion on each of the following questions, for each project discussed:

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- (a) Is this project needed; why or why not?
 - (b) If this project is needed, what should be its scope (mention any difference from the descriptions in the Appendix)?
 - (c) If this project is needed, how time-critical it is?
11. Whilst presenting the views of your group, please mention any differences in the views between preparers and users that arose during the discussions.
12. The following project allocations by groups will apply:

Group 1

Please focus your discussion on the following possible projects:

- (i) equity method of accounting
- (ii) income taxes.

If you have time, please also discuss the remaining four projects: impairment of non-financial assets, intangible assets, interim reporting and post-employment benefits.

Group 2

Please focus your discussion on the following possible projects:

- (i) post-employment benefits
- (ii) impairment of non-financial assets.

If you have time, please also discuss the remaining four projects: intangible assets, interim reporting, equity method of accounting and income taxes.

Group 3

Please focus your discussion on the following possible projects:

- (i) interim reporting
- (ii) intangible assets.

If you have time, please also discuss the remaining four projects: equity method of accounting, income taxes, post-employment benefits and impairment of non-financial assets.

13. Allocation of members to the groups will be distributed at the start of the meeting. Any members following the meeting remotely will be allocated to a group remaining in the boardroom with telecommunications facilities at their disposal.

Appendix—Descriptions of possible projects

(Note: please do not consider these descriptions as being final. You are free to suggest any additional or different issues that should be addressed by a project.)

Project on agenda

Post-employment benefits (including pensions)

IAS 19 *Employee Benefits* sets out the financial reporting requirements for all types of post-employment benefits, including defined benefit arrangements.

The IASB is undertaking this project in two phases:

- i) improvements to the recognition, presentation and disclosures of defined benefit plans
- ii) improvements to the measurement of defined benefit plans and defined contribution plans, including plans that have the characteristics of both defined benefit and defined contribution plans.

The issue is that defined benefit arrangements can give rise to large and highly uncertain costs for many companies and estimating these costs can be extremely complex.

The IASB aims to make fundamental improvements to several parts of IAS 19.

Current status:

Improvements to the recognition, presentation and disclosures of defined benefit plans are about to be completed.

The second phase of the project, which will propose improvements to the measurement of defined benefit plans and defined contribution plans, has not yet commenced.

Projects not on agenda

Equity method of accounting

The application of the equity method of accounting can be complex in certain circumstances. These complexities include the calculation of goodwill, the partial elimination of profits on upstream and downstream transactions and the measurement of impairment. Some have questioned the appropriateness of the use of the equity method and questioned whether it should be permitted, whereas others have argued for the extension of the use of equity accounting to separate financial statements.

A future project could reconsider the circumstances in which the equity method of accounting is appropriate, and, if so, whether it could be simplified.

Income taxes

The IFRS Interpretations Committee and IASB staff have received many questions on IAS 12 *Income Taxes*, indicating that the standard is sometimes difficult to apply. Income tax was also frequently identified as a source of significant reconciling items for US-listed foreign registrants applying IFRSs. The IASB's current project on income taxes originally started as a convergence project with US GAAP and with the intention of not changing the fundamental approach in IAS 12. An exposure draft was published in 2009, but since then the IASB has narrowed down the scope of the project. In response to the comment letters received on the exposure draft, the IASB has indicated that it would consider undertaking a fundamental review of accounting for income taxes at some time in the future.

Impairment of non-financial assets

IAS 36 *Impairment of Assets* requires assets and cash-generating units to be measured at the lower of carrying amount and recoverable amount, when tested for impairment. One of the calculations specified by IAS 36 when calculating recoverable amount is *value in use*, which is required to be calculated on a pre-tax basis, using pre-tax cash flows and a pre-tax discount rate. There are practical challenges in determining a pre-tax discount rate. A future project could consider how to address these practical difficulties.

Intangible assets

Intangible assets are an increasingly significant class of assets for a wide range of entities across many jurisdictions. There are many who consider the current guidance, IAS 38 *Intangible assets*, as being out of date and not appropriately reflecting economic conditions or results. One major concern is the inconsistent treatment of particular types of intangible assets depending on whether they are purchased or internally generated. In 2007, the IASB considered a proposal prepared for it by the Australian Accounting Standards Board for a broad-scope project to address the issues relating to intangible assets. The IASB decided not to add the project to its agenda at that time because it did not have sufficient resources.

Interim reporting

IFRS does not require entities to prepare interim financial reports, but it does provide guidance in IAS 34 *Interim Financial Reporting* on how an entity should prepare such a report. The objective of the current standard is that the frequency of reporting should not affect the measurement of the annual financial statements, but there can be tensions between this objective and the requirement to apply a discrete accounting period approach in the preparation of interim financial reports. Associated with this is the question of whether full remeasurement of assets and liabilities is required at each interim reporting date; for example, should the defined benefit obligation of a defined benefit pension plan be remeasured at each interim date in the same level of detail as at

the end of the financial year? A future project could consider what improvements should be made to overcome these issues.